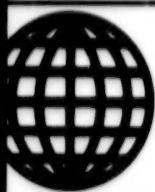


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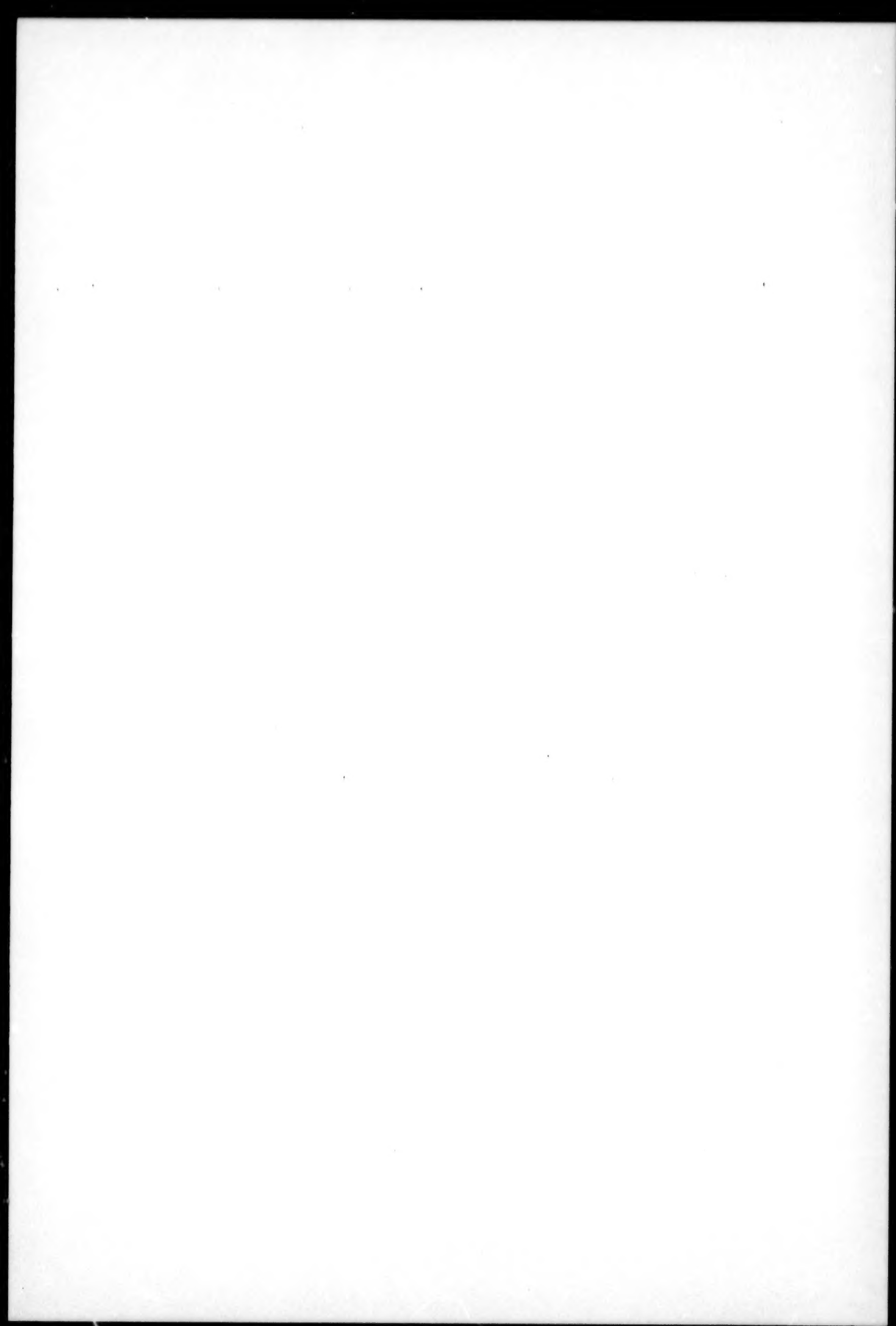
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# ***JPRS Report***

# **Soviet Union**

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***Economic Affairs***



# Soviet Union Economic Affairs

JPRS-UEA-89-012

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13 MAY 1989

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## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

**Council of Ministers Reviews Economic Proposals**  
18200321 Moscow PRAVITELSTVENNYY VESTNIK  
in Russian No 7, Apr 89 pp 2-3

[Article by economic observer Yu. Rytov, commenting on the 22 March meeting of the Presidium of the USSR Council of Ministers: "Money: Shortage or Surplus?"]

[Text] It has probably already caught the reader's attention that the words "urgent measures" were used in three items on the agenda. Yes, the reference was to emergency measures, extraordinary and urgent measures on which, as the head of government announced, the destiny of our restructuring depends.

This indeed determined the character of the meeting, which was businesslike and constructive to the highest degree. The fundamental strategies for solving the socio-economic problems that have come to a head have been defined by the party's Central Committee. The March Plenum of the Central Committee examined the question of the CPSU's farm policy under present conditions. Previous meetings of the Politburo, in particular on 16 February, have discussed the entire range of problems related to financial recovery of the economy, and strengthening the circulation of money in the country.

### No Room for Delay!

Those fundamental decisions had to be filled with specific content and launched in the stream of practical affairs, and that still needs to be done!

Which is why there was harsh resistance in the meeting to attempts of certain speakers to take the discussion "far and wide," to discuss the importance of the topic under consideration instead of analyzing the specific situation of the branch, its capabilities and potential.

"I do not understand," the chairman said, for example, to N.A. Panichev, USSR minister of machine tool building and instrumentmaking industry, "why you asked for the floor at all? We are discussing the situation on the consumer market today and tomorrow, we are thinking about how to saturate it with goods in the shortest time. So, who is interested in generalities at this point? Tell us specifically what contribution your branch can make to that effort...."

No doubt there was ample justification for that harsh tone. A speaker on the second and third items—Yu.D. Maslyukov, first deputy chairman of the USSR Council of Ministers and chairman of USSR Gosplan—reported that in the current year it has not been possible to overcome a growth of money payments to the population greater than the growth of labor productivity. The ratio between them—two to one!

And that means that in the absence of a volume of goods to cover the higher wages, there will have to be a new issue of money.

At this point, we remind our readers of the country's financial situation with which we entered the present year. The deficit in the state budget was 36.3 billion rubles. The unsatisfied demand of the public for goods and services, according to certain estimates, is 70 billion rubles. As the saying goes, it is a dead end.

The country's present financial situation has given certain economists reason to assert that unforeseen and unmanageable processes have begun. But we cannot agree with that opinion at all. The government has the situation under firm control. This meeting in fact fully confirms that.

### Old Debts and...New Errors

A distinguished scientist once noted: there should be no shortage of goods and services in our country, there can be only one shortage—money. The shortage of money in the "fat purse"—the state treasury—is combined with a surplus of money in circulation. Expenditures exceed revenues, the demand for goods and services exceeds their supply.

How did such a situation come about? The answer is obvious: For too long we have been living beyond our means; when there was a shortage of money, we were spending it excessively. We were encountering great difficulties in dealing with many important social problems, we were allowing endless investment of resources to develop enterprises, complexes, and branches which were not bringing in a requisite return, and we put up with low production efficiency.

How long can we go on talking about the cost basis of our economy, about the niggardly return from many production operations, about the abundance of enterprises operating at a loss? These are all our old debts. They have to be paid. It is every man's civil right to be able to renounce a devastating legacy. The state does not have that luxury. The top-heavy economic structure, the abundance of enterprises operating at a loss, leveling, which deprives people of incentives for productive work—all those things are our legacy.... And it will take quite a bit of time to settle those debts. Time which as a practical matter we no longer have.

Unfortunately, new debts are piled right on top of the old ones. Their origin lies in that same comfortable slowness, lack of urgency, and mismanagement.

To anticipate a bit, we need to say at once that the pattern of flagrant mismanagement, which is astounding in its scale, was made evident during discussion of the fourth item on the agenda—the collection of scrap metal.

Some of our readers might find such a question too small, unworthy of the government's attention. But that is far from the case. After all, it is not simply dead metal, but "live" money that is literally all around under our feet! And what is more, the level of utilization of scrap metal is in fact an indicator that economic managers are sophisticated about conservation, an indicator of production efficiency. But what has been happening in our country?

Immense stocks of scrap, waste of ferrous and nonferrous metals—an extremely valuable raw material—have now accumulated in the country. For many years, it has not been employed in production. Instead, we have been increasing the production of pig iron and the production of primary nonferrous metals, which in turn requires additional mining of ore and coking coal. It is difficult to even calculate the economic loss which the state incurs as a result, not to mention the problems it causes for the ecological situation in a number of regions.

These facts were also brought up in the meeting: Last year the state order for collection of scrap and waste of ferrous metals fell 2 million tons short of fulfillment. The shortfall for nonferrous metals was 21,000 tons. Nor has the situation improved this year. As of 20 March, the shortage was 1.8 million tons for ferrous metals and 30,000 tons for nonferrous metals....

A surprising paradox. While they were not meeting the state order for delivery of metal scrap and waste, certain enterprises gladly concluded contracts on delivery of these materials to foreign firms. For example, the Kamsk Motor Vehicle Plant and the Plant imeni Likhachev have this year offered to ship these materials to the Japanese firm Aiwa Trendeng.

That firm has no shortage of enterprise. It is found to have another supplier as well—the association "Kuybyshev azot." Chinese entrepreneurs have been buying scrap from us, ferrous and nonferrous metals, in border zones.

And another paradox: mismanagement had been shown not only by ministries and departments figuring as suppliers, but also by the clients and customers for secondary metals themselves—USSR Minchermet and USSR Mintsvetmet. A document presented to the meeting explicitly stated: "Because of the irresponsible attitude of managers of enterprises of USSR Minchermet they did not fulfill the state order for collection of ferrous metals in January-February of this year.... In the reporting period, only 92 percent of the assignment was collected." This is truly a case in which the carpenter does not fix the leak in his own roof!

The meeting took note of the report from S.V. Kolpakov, USSR minister of ferrous metallurgy, to the effect that his deputy responsible for that area had been fired for neglect of his duty. Three other deputy heads of ministries and departments were also penalized.

Mismanagement has been condemned. In this case, it is obvious, as they say, to the naked eye. But there are cases which are far more complicated and which are not so simple to understand.

### Long Construction Time Means Losses

How much has been written about excessively long construction time and unfinished construction in the sector of capital construction! It would seem to be quite obvious to everyone: this is a channel of senseless expenditures of immense resources which do not bring a requisite return. But it is still alive and well! The volume of unfinished construction is not shrinking, but growing. In 1988, it exceeded 150 billion rubles.

The above-allowance share of unfinished construction has also been growing steadily. In the fuel and energy complex, it was 3,893.1 million rubles. In the metallurgical complex, 3,652.9 million. In the machinebuilding complex, 3,641.1 million. And so on. As we see, the count is not in the thousands, but in the billions!

And, of course, one of the principal directions for financial recovery of the economy might be reducing the front of capital construction, reducing the number of construction starts, mothballing those which have already been started if they are not of paramount importance.

The meeting made it evident: the government intends to act very decisively. The measures outlined in this very year are capable of guaranteeing an immense saving on state centralized capital investments. Specifically—7.5 billion rubles (including 3.5 billion rubles of construction and installation work). Next year, still more: at least 8 billion rubles (4 billion for construction and installation work).

USSR Gosplan has prepared proposals to cut back by 390 new construction starts and to mothball 228 construction projects carried over. What principles was this decision based on?

The first and most obvious: at most of these projects the working documentation was either lacking or had not been corrected for 1989. Logical? Undoubtedly.

The second principle. It was observed that in many cases capital investments were allocated without taking into account the established standards for construction time (just get it started, and then we will see!). It is, of course, such practice that has resulted in the squandering of resources over many projects and has augmented the lengthy construction time and unfinished construction. And it is time to put a stop to it.

A list of the most important projects whose construction would be halted was given in an annex to the note of USSR Gosplan. They included the Volga Irrigation System (Southern Tract, Phase II). The estimated cost is

117 million rubles. The Volga-Chogray canal. Estimated cost 2.9 billion rubles. The Karabula—Yarki—transit line of the Boguchanskaya GES railroad, with an estimated cost of 402 million rubles.

I would like to call readers' attention to a curious observation concerning the latter project. "The deadlines for industrial development of the Lower Angara region of Krasnoyarsk Krai have mainly been set beyond the 13th and 14th FYP's. Given the high cost of construction of the railroad line and the small volume of freight, its operation will be a losing proposition."

No argument could be more convincing. In point of fact: Why invest money to build a railroad on which there is nothing to carry? And there is the same weighty argument against every project included on the list. It is high time that the interests of the state and common sense won out over departmental ambitions!

Construction of a number of projects of USSR Minudobreniy has been postponed. Specifically: the Seligdar Apatite Plant in Yakut ASSR (5 billion rubles), the Tulun Chemical Fertilizer Plant in Irkutsk Oblast (4 billion), the Far East Chemical Plant in Amur Oblast (4.5 billion rubles). Motivation: "The level of capacity utilization in production of fertilizers has been 75-85 percent over the last 10 years. At the same time, there is a sizable potential for obtaining additional amounts of fertilizer by eliminating the present losses in mining, processing, and shipment, amounting to about 30 percent, with losses of 10-20 percent in the storage and application of fertilizer in the field."

I think that even here there can be no objections to the line of argument. Why build new plants when we have not learned to make proper use of those in place?

Yet there are proposals on the list which could embitter some readers. We are referring to postponement of construction of subways in a number of the country's major cities: Alma-Ata, Chelyabinsk, Omsk, Krasnoyarsk, Riga, Donetsk, Rostov-na-Donu, Ufa, Kazan, Perm, and Odessa. Their cost—3.2 billion rubles. Expensive? Yes. That is in fact the only argument for not beginning their construction at present.

At the same time, all readers, without exception, will undoubtedly be glad to see another fundamental decision. The material resources made available will be committed primarily to expanding the production of consumer goods, rendering services to the public, and increasing market stocks of building materials.

#### Living Within Our Means

An entire range of other matters related to reducing expenditures in every way and to increasing the profitability of production were analyzed in detail in the meeting of the Presidium of the USSR Council of Ministers. To be specific, the problem of enterprises

operating at a loss was taken up once again. Last year, 2,428 industrial enterprises were expected to operate at a loss, and the sum total of their loss was estimated at 2,982 million rubles. And this was according to the plan, which contradicts all economic laws and common sense. But reality has even exceeded such "ambitious" plans. Some 2,723 enterprises actually ended the year with losses. And the sum total of the loss they inflicted on the state (there is no other way to put it) was 3,963 million rubles.

How are such collectives to be dealt with from now on? The government has ordered ministries and departments and councils of ministers of union republics to revise within 1 month programs for eliminating the loss in the activity of subordinate enterprises, envisaging organizational and economic measures in them that would guarantee reduction of the sum total of subsidies by at least 30 percent in 1989. And when the draft plan for 1990 is examined, the list of enterprises operating at a loss will be approved separately.

But not only collectives operating at a loss, but also those that are quite prosperous must learn to live within their means, to be concerned about making operation more profitable. Attention was turned once again in the session to the immense stocks of unused raw materials and supplies that have accumulated at some enterprises. It was emphasized that various goods for industrial and technical purposes that have built up in warehouses can become a very significant source from which to saturate the market. Ministries and departments were assigned specific targets for selling such goods through the trade network.

In addition, USSR Gosplan and USSR Gosstabs intend to reduce limit-allowances of centrally distributed metal products and steel pipe for 1989. It has been proposed that the standard inventories of them carried by consumers should be reduced by 5-10 percent.

The operation of the economy last year also revealed other potential untapped at present for increasing the profitability of production. Realizing that potential would make it possible to substantially relieve the strain on the finances of both enterprises and branches and also on the economy as a whole.

What specifically are we referring to? Many enterprises, taking advantage of the right given them to plan their production and economic activity, are approving their own profit plans at a substantially lower level than the amounts assumed when the economic standards were adopted. As a matter of fact, this phenomenon has become very widespread. In the national economy as a whole in 1988, enterprises of 20 of the 39 industrial ministries and intersector state associations approved profit 3.7 billion rubles below the initial data. In actuality, the initial figures were covered by 13 billion rubles for all complexes except machinebuilding.



This year, the trend has shown up still more markedly. The profit plans approved by enterprises are now below the initial figures for 30 industrial ministries, and the total amount (after the minus sign) is 13.3 billion rubles. This is even lower than the 3.3 billion which was the actual figure for the profit realized in 1988!

Enterprises have been given an opportunity to generously replenish the funds for material incentives and social development of collectives. And in turn to pay bonuses and issue benefits with more than generosity.

And all of this is in conformity with the Law on the State Enterprise. But how then is it that the rise of labor productivity has been lagging behind the growth of money payments, while money payments are outstripping by an ever greater margin the production of goods and the rendering of services; that is, they are not guaranteeing an equivalent end result? There can be only one answer: in the new economic mechanism there are spots that are quite vulnerable.

At the same time, we cannot but note the careless attitude of certain managers of enterprises and associations toward payments of "unearned" money. Concern about people is, of course, something much to be praised. And no family—even the one that is best provided for—complains about a surplus of money. But with no supply of goods, when that money has not been reinforced by the end product, it puts pressure on the market and—whether we like it or not—it reduces the purchasing power of the ruble. On the scale of the entire economy, the entire country, then, who is it that gains from putting "extra" money into circulation? No one. But people who are not well-off suffer the most from that process, of course: retired people, large families, single mothers. And that is why the economic literacy of the manager in the economy, his thorough understanding of the profound meaning of the economic and social processes have now become a necessary and mandatory attribute.

The government has ordered USSR Gosplan, USSR Minfin, USSR Goskomtrud, and USSR Gosbank to analyze most thoroughly why in the first months of the year the growth of the average wage still exceeds the growth of labor productivity and to examine the effectiveness of the mechanism for regulating personal money income.

Critical remarks were addressed to USSR Goskomstat, USSR Gosplan, USSR Minfin, and USSR Goskomtrud, which so far have not carried out the order to develop methods of estimating the standard of living of the population and of determining the consumer price index, the rate of inflationary processes and the purchasing power of the ruble. The Presidium of the USSR Council of Ministers placed an obligation on those departments to speed up presentation of the respective reports.

The need for more thorough analysis of the processes taking place in the economy was noted in the meeting. Central economic departments were ordered to prepare proposals aimed at improving the financial situation and strengthening the circulation of money in the country, at restraining inflation, and at stabilizing the economic situation.

#### Addressed to Man

But central place in the meeting was taken by the question of urgent measures to increase the production of nonfood commodities. Direct note was taken of the particular severity of the situation that has come about on the consumer market, which is causing social tension in society. These conditions make it necessary to take rapid and radical steps that would make it possible even during the present year to substantially improve—and in the next year fundamentally normalize—the situation with the supply of nonfood commodities to the public.

How is such a complicated problem to be solved in such a short time? The fundamental strategy was clearly formulated in the meeting. First of all—by using in every way the existing production potential to augment the output of goods. That would include changing the specialization of existing enterprises.

The calculations of USSR Gosplan envisage a 9-billion-ruble increase in retail sales this year, so that the total figure would be 394 billion. Next year—in conformity with the balance of personal money income and expenditure—sales must exceed 420 billion rubles.

What lies behind these figures? Even by 1990, we have to have 257 billion rubles worth of nonfood commodities in retail prices. This is an immense growth—11.4 percent over the assignment for this year. The service industry will also be developing at that kind of rapid rate (11.1 percent). The total volume of paid services is set at 75.8 billion rubles for 1990, which is 8.6 billion rubles higher than the targets of the 5-year plan.

On the whole, the revised reference figures for 1990 envisage an output of goods in the amount of 440 billion rubles and a growth rate of paid services of at least 20 percent for ministries outside this field.

There is probably no product whose output will not be increasing. And, of course, priority here goes to durable consumer goods, for which the shortage is very great. For instance, in 1990, 110,000 VCR's are to be produced (an almost two-fold growth). The output of sewing machines will be 300,000 (16.7 percent), tape recorders 660,000 (10.4 percent)....

The question that naturally arises here is this: How realistic are these figures, what specific basis do they rest on?

There is every reason to say: The calculations have been done thoroughly, the capabilities of all the national economic complexes have been studied. For instance, in the defense complex they are to produce 35 billion rubles worth of nonfood commodities in 1990, which is a growth of 13.5 percent over 1989. And in the 13th FYP, their production will increase 1.5-fold. Specific commodities were even referred to which the complex is to take on its "shoulders." In 1995, we can count on the complex's enterprises producing, to be specific, 13.7-14 million television sets (including 10.8-11 million color sets), 9.8 million refrigerators and freezers, at least 3 million sewing machines....

We can also count on the enterprises in the complex becoming legislators of fashion in a profession new to them. In addition to a substantial freshening of the assortment, they will organize the production and delivery to the market of fundamentally new products for the public—videocameras, videoplayers, and digital tape recorders. There will be an expansion in both the volume and the assortment of specific products intended for rural inhabitants and individuals engaged in cooperative activity and self-employment.

In the machinebuilding complex, the growth of goods in 1990 has been set at 15.1 percent over this year. And in the 13th FYP, a growth of 1.7-fold. This order was given a separate line: achieve a sufficient output of small-capacity electric motors and spare parts and batteries for automobiles.

The agroindustrial complex, in spite of the important tasks it has in its own area, is to take a more active part in the production of nonfood commodities. The rate of their growth is 18.7 percent. Even in coming years, a strong industry is to be built to manufacture hair-care and cosmetic products with an annual volume of production of 4.8-5 billion rubles.

The wood-chemical complex has its own set of concerns: synthetic detergents (we recall the ill-fated washing powders that caused such a sensation!), paints and varnishes, furniture, and wallpaper. And even if the market is not altogether saturated, the shortage will at least be reduced. Calculations have confirmed that this conception is quite realistic.

We are all placing equal hopes on the construction complex. Here, the task has been clearly stated: fully meet the needs of the market (and therefore of the public) for building materials, garden sheds, plumbing supplies, slate, and ceramic tile. The growth rate of the output of these commodities will be 21 percent in 1990 as compared to the previous year and 2.1-fold during the 13th FYP.

High growth rates of production of nonfood commodities have also been outlined in other complexes: metallurgy and fuel and energy.

During the discussion of these items, some of the comrades who spoke in the discussion referred to the strain in the supply of materials and equipment, which, they say, could upset all the plans that have been outlined.

The chairman furnished a clarification:

"Take the resources from the principal production operation. Permission to do that has already been given. And beginning next year it might be worth planning those resources on a separate line."

Councils of ministers of union republics have been ordered, guided by the principles of the new regional policy, to stage an effort to increase the production of consumer goods in enterprises and associations located in their jurisdiction regardless of subordination.

At the same time, all the conditions and possibilities conducive to the success of that effort were thoroughly analyzed. For instance, this proposal was made in the meeting: to grant enterprises and associations the right to sell on the external market products produced over and above the reference figures assigned to them and to use the foreign exchange they receive to acquire raw materials, supplies, and equipment to produce consumer goods. The Presidium of the USSR Council of Ministers, which took a favorable view of that proposal, ordered that a decision be drafted to that effect.

It has already been reported in the press that the government has taken operative steps toward reconstruction and retooling of light industry. Banks of Italy, Japan, and West Germany, for example, have extended the necessary credits to USSR Minlegprom. Now it is up to the personnel in the branch themselves. Prompt conclusion of contracts for delivery of equipment and its immediate activation now depend on their competence and enterprise. Of course, underwater reefs along that route are noticeable even now. Really: after all, related sectors could lag behind and not be able to keep up. How many grievous examples of this there have been! But lessons also have to be drawn from mistakes. And mention was made in the meeting of the advisability of committing a portion of the credits intended for light industry to the retooling of enterprises in the chemical industry and other related branches.

As we see, the measures outlined are comprehensive and radical. But even they, unfortunately, have so far been unable to deal with the unsatisfied demand. Which is why the Presidium of the USSR Council of Ministers paid particular attention to developing so-called non-commodity expenditures of the population.

To what does that term refer? Simple things clear to everyone, which for some reason are being introduced in our country quite tardily. Sales to the public of apartments and construction of private dwellings. Full-scale development of tourism and family vacations for workers. Finally, the issuing of stock and securities....

The meeting has been adjourned, but the question has by no means been exhausted. The Presidium of the USSR Council of Ministers deemed it necessary to hear in its subsequent meetings in April reports from certain heads of ministries and departments on expansion of the output of consumer goods so as to study the situation in still greater detail.

Yes, it is an exceedingly complicated issue, and persistence and great effort are, of course, indispensable to its ultimate solution. Those things do exist, and that is why we would like to look to the future with optimism.

### Directors Club Assesses Reforms

#### Aganbegyan on Unforeseen Difficulties

18200262 Novosibirsk *EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVO* in Russian No 2, Feb 89 pp 80-85

[Article by A. G. Aganbegyan, Academician-secretary, Economics Department, USSR Academy of Sciences, Chairman of the All-Union Directors Club at the Journal EKO: "Unforeseen Halts in the Reform"]

[Text] The 11th meeting of the Directors Club took place in Kherson, at a shipbuilding association known for its ability to sell its products to capitalist countries. There was no single comprehensive theme. Many opinions and many problems were discussed. The club is just that, a place where experts and practical workers can exchange opinions on the reasons for the slow progress in the radical reform of the economy.

During three years of perestroika the economic situation in the country has improved quite slowly due to big difficulties and disproportions. Improvements lagged substantially behind plans and expectations. The present situation seems critical to me, we are at a moment of transition.

Against the background of a more or less favorable 1986 and 1987 development slowed each month. There is hidden inflation. Therefore many indicators, growth in production, exchange and others are increased. The year 1988 was also unsuccessful for agriculture. Worse, however, we were not able to deal with the financial regulation of the economy. Growth in monetary incomes and unfulfillment of production plans for consumer goods and food widened the dangerous gap between effective demand and supply. In many regions store shelves are bare. Although somewhat more goods were purchased, the impression was created that the situation had deteriorated, as the populace had acquired more money. There were considerable increases in prices in cooperative trade and markets. Surveys indicate that most people think that they have not obtained material fruits from perestroika and some of those asked think their welfare has declined. This is a key problem, as perestroika is for people.

The critical period coincides with the beginning of a new stage in the five-year plan: in 1988 a difficult transition began to new operating conditions. In order to take those large measures for which decisiveness was previously lacking, it is necessary to analyze the reasons for the slow social and economic development.

The first is that the pit from which we must extract ourselves turned out to be deeper and its sides steeper than we previously thought. There was more powerful resistance to perestroika and the transition to economic methods of management. More radical and fundamental measures were necessary. For example, in agriculture, this was not simply reorganization, but changes in the entire system of production relations in the countryside.

Serious mistakes were also made during perestroika. I note this because it is important to have a critical attitude to our actions if we want to correct them.

A generally recognized mistake is the incorrect transition to the new economic mechanism, in particular, entrusting the ministries with the formation of economic norms. It is argued that targets cannot be changed on the move. As a result, the ministries gathered together the properly operating enterprises, from which they got larger allocations to the budget, and released the poorly operating ones. A massive protest by properly operating enterprises began. Previously they had a safety valve in the form of above-plan profits, now they have been deprived of this. In order not to change norms, a governmental commission made it possible to use 70 percent of the above-plan profits itself. This system does not give enterprises an interest in improving their work and in saving resources.

In general things occurred which are possible only if the economy lacks legal regulation. Only the Supreme Soviet, the highest legislative organ in the country, can tax organizations and people. Even governments in other countries usually do not have this right. Every government wants to distinguish itself and build "objects for the ages," but always lacks the money. Legislative organs, strictly controlling expenditures, defend society's interests. Only they set taxes. Here, however, even the government is not engaged in this. The ministries themselves decide what share of profits remains, even though this determines the wages and material incentives funds. Economists speak out against this, but nobody listens to them. What about the next five-year plan? I think that the people should solve such questions through the USSR Supreme Soviet, in this sense the legal state.

A generally recognized mistake, the improper increase in state orders, has already been corrected. A temporary regulation on state orders calls for their reduction in industry to 40-50 percent and to 20-40 percent in machinery building and other processing industries during 1989-1990. Ministries are deprived of the right to set order levels at their own discretion.



No changes were made in the previous system of wages formation, in which wages could possibly grow even for poor work. These mistakes were intensified by objective difficulties in the transition. For three years the coexistence of old and new elements—the price and material-technical supply systems—intensified these difficulties. It especially affected sectors producing consumer goods. Minfin [Ministry of Finance] extracted a "contribution" from them, taking 60 to 90 percent of their profits. Understandably, this is incorrect, and Minfin finally returned part of the profit. Why have to correct mistakes? It is better to do everything correctly from the beginning.

Mistakes were made in questions of financial soundness, as a result we have a balance of payments deficit, a shortage of convertible currency and a gap between effective demand and supply. The June (1985) CPSU Central Committee Plenum authorized the development of a program for financial soundness. Where is it? Minfin created a local program, which nobody has seen. When the convertible currency situation became serious, consumer goods imports were curtailed, but we did not produce more of our own. This impacted upon production. State incomes also fell.

In general, there were some quick decisions. For example, banks were reorganized. There were shortcomings in decisions about cooperatives. The return to the Leninist ideas about the development of cooperation are very important, similar to pluralism in property—lease, municipal and transitional forms. They help create a real market, with competition and influence upon prices. In general, the Law on Cooperatives is better than the Law On Enterprises, for example. However, normative acts were introduced without a real tax system, enabling some cooperatives to obtain unearned incomes. Incidentally, in the GDR, cooperatives sell goods at fixed state prices.

The seriousness of the social and economic situation is now realized and some specific steps are planned. It is foreseen to more widely use people's resources for housing, recreation and other purposes. An Autobank has been set up to issue notes granting subsidies for acquiring automobiles. This bank will take in deposits from the public and organizations for this purpose. The defense industry has been enlisted into the production of consumer goods.

When things go badly, economists of the old generation are accustomed to turn all eyes towards science, which has not predicted what to do. Now some are saying that we do not have the right strategy and general concepts. In my view the shortcomings are not because of the road we are travelling, but because we are travelling too slowly and frequently stopping and weaving along the road.

A development strategy includes three main points.

**First. A turn towards well being and social orientation in development.** Our country is seriously lagging and needs to decisively move forward in this direction, attracting additional resources.

**Second. A transition to intensification and the thorough acceleration of scientific and technical progress.** The main thing, the advancement of machinery building, requires a radical review of investment structure. In three years there have been almost no shifts: The lion's share of capital investments still goes to the extractive sector and not to the comprehensive processing of raw materials. Information technology is only slowly developing. Among the priority directions in scientific and technical progress mentioned at the June 1985 CPSU Central Committee Plenum, only rotary lines have been introduced. All other directions (continuous casting of steel, etc) have been insufficiently improved. In some places the steps are backwards. For example, plants producing motor vehicles with gasoline engines have a year's backlog of orders, while KamAZ [Kama River Motor Vehicle Plant] is underutilized. There has been a disruption in the dieselization program.

**The third, and most difficult, is the transition from administrative and command methods to a system dominated by economic methods—cost accounting, self-financing, self-management.** This includes a price reform, the conversion of banks to cost accounting, wholesale trade in the means of production, a move towards a convertible ruble and direct foreign economic ties.

Many details in these directions are the subject of discussions. The next task in economic science is to provide well grounded recommendations on key problems.

We have now entered the most difficult, transitional period in perestroika, when the old and new methods of operating will coexist in contradiction to one another. We have to move forward so that in the new five-year plan there will be a new economic mechanism. We are totally conscious of the huge responsibility economists have in overcoming obstacles to perestroika. The main thing is that our suggestions be heard.

#### **Club Reviews Strategies**

18200262 Novosibirsk *EKONOMIKA* 1  
*ORGANIZATSIYA PROMYSHLENNOGO*  
*PROIZVODSTVO* in Russian No 2, Feb 89 pp 85-89

[Unsigned article: "Questions and Answers in Games and Reality: Chronicle of a Club Meeting"]

[Text] The business game "Probe" was recently played at the Directors Club. Nadezhda Avgustovna Balanovskaya, director of the Trekhgornaya Manufaktura Kombinat, appeared tired afterwards: "There is not quite enough theoretical knowledge, therefore the game



was very difficult." The hopes practical workers placed upon theory encountered the equally fervent hopes to improve the skills of practical managers.

In opening the business game its scientific advisor, doctor of economics N. B. Mironosetskiy (Novosibirsk State University) said: "We now talk a lot about economic freedom, but do not know how to use it. Moreover, many managers do not recognize the uniqueness of the current moment. It sometimes seems to them that with the conversion to the second model of cost accounting the shortcomings in the economic system will disappear. But this is not so. New strategic decisions must be worked out for the new conditions. There are various ways of mastering the methods of strategic management. Business games are one of the most effective."

A game instead of theory. For 3 hours 6 teams present a strategy for developing an enterprise in 6 directions: social, economic development, scientific and technical progress, relations with suppliers and customers, foreign economic activity. The teams form these directions on their own, filling out (changing and supplementing) the suggested schemes in a table and proposing methods for implementing and supporting a program.

Game participants think up team names and slogans (humor is obligatory): "Economiser," "Mercury and Sons," "Little Box"... Each team has its strategy and tactics. The jury included: Academician A. G. Aganbegyan, doctor of economics L. A. Yevenko (USSR Academy of Sciences' Institute for the USA and Canada), V. V. Volkov, general director of the Kherson Shipbuilding Association, and G. Ya. Podvoyskiy, executive secretary for friendship between EKO and the journal *Problemy teorii i praktiki upravleniya*.

The leader announces that the team captains are invited to examine the strategies.

**Strategy for Scientific and Technical Progress:** "We begin with product selection. Then we decide questions in design, supply and personnel. It is necessary to automate and mechanize production by using computers, introducing progressive technology, machine tools with numerical control, CAD [Computer assisted design] and automated management systems. We suggest setting up temporary collectives for these problems."

**Social Strategy:** "This includes a program to improve working and living conditions and the management of the collective's social development. The program to improve working conditions includes reductions in manual, heavy and dangerous labor. The program to improve living conditions includes the construction of housing, children's facilities, food service facilities, product supplies, personal services, recreation and sports."

A table for the suggested elements in the strategy could not include all the ideas proposed during the business game and club meeting... From the main one "Not to

forget anyone," the creators of social strategy moved to priority directions, the creation of favorable working conditions and incentives for creative activity. They discussed how to attain these goals. The answers are given in a survey conducted by candidate of economics, Z. V. Korobkoviy (IE i OPP SO AN USSR) [Institute for the Organization of Industrial Production, Siberian Department, USSR Academy of Sciences]. The participants in the survey ranked the role of various elements for increasing creative activities as follows:

First place—Giving people specific goals of interest to them (57 percent of those asked), then establishing precise criteria for evaluating workers output (47 percent), increasing work prestige at a given enterprise, special personnel policy. Additional suggestions: setting up, in each shop, small offices for gathering leaders innovators; competitiveness ("people do not want to be worse than others"); education in a professional code of honor; maximum attention to moral incentives ("more honor, fewer rubles"); organizing introductory groups, creating systems for paying labor by final results depending upon seniority, family composition, workers participation in management, and other factors.

Among the moral and material incentives, most (80 percent) of those asked gave first place to material interest and bonuses. Participants came to the same conclusion: Create a framework which does not regulate every step, but provides the conditions in which "people act as masters." There was mention of a need for maximum glasnost and the need to see the organization's goals.

**A. F. Pavlova, deputy director of the Tiraspol Sewing Association:** "A fire is ignited only by fire. If the manager is hot, so will be the workers. It is very important to give people incentives. We always note that somebody has only been working a little while, but is already doing things right. Each brigade has a baton for creativity, continuous contests, awards for especially important developments. We steadily search for progressive experiences and organizational innovations and are setting up an idea bank. If a problem is not solved we arrange an auction. True, it isn't real, nobody pays out real rubles, but all the same..."

**Economic Development:** "Based on economic strategy enterprises have reached the peak of their development and can increase the wages fund by 1-2 percent annually. This does not suit us. Our strategy for the decade will assure a 30 percent and more growth in real income. Enterprises work in conditions of full cost accounting, self-financing and cost accounting within production operations. We extensively use price policies. We are setting up a pricing administration, a marketing department and foreign economic services..."

Well, there are many difficult questions about the strategies of using economic methods in management.

Two years of self-financing have not brought us any special luck. We want to learn how to be happy by having 10-15 percent of the profits remain with us.

There is concern about price formation. We cannot exist with our normatives for allocations to the budget. While the sector average is 67 percent, ours are 84 percent, a subjective approach.

The government is seeking help from specialists. It is gathering economists and directors to evaluate normatives and state orders. Sometimes, however, it ignores their opinions.

Leading people is a fine art. There are ever fewer leaders capable of exercising authority. The personality begins to develop in kindergarten. Directors are cut down like cabbages. It is good that they are not put away, like previously, for the slightest disobedience.

Given the present system of normatives one cannot seriously talk about enterprise independence. If we attempt to have our own way, the director is put in a position where he raises his hands and puts in his resignation.

It is attempted to extract two taxes from enterprises: banks and supplier organizations are moving to cost accounting, but they must get the required resources from us.

Many club members were concerned that with the transition to cost recovery and self-financing, an enterprise's prosperity and payment to its workers depends not so much upon final results, as upon attendant factors.

V. V. Volkov: "We are working under the same conditions and producing the same product as our related plant in Kerch. However, during a given period, we build 4 ships and they only 1. The pay is equivalent. When our workers are sent to a job, they see that there they can be twice as free and obtain twice the income."

After answers were given to these and many other questions, alternative strategies gradually emerged. Finally, it was quiet in the hall. The jury strictly summed up results. Academician A. G. Aganbegyan: "All these programs suffer in that they do not set priorities and specify the most important measures. We are to occupy hundreds of positions immediately. This means that not one will be moved. However, the most serious comments are about the mechanism for implementing the programs. Economic methods have not had enough effect. New forms (stocks and cooperatives) are poorly used. The economic block's strategy looks the best."

L. I. Yevenko: "The game revealed shortcomings in our strategic thinking. Enterprise managers participating in the game are casualties of an incorrectly understood systems approach and lack of comprehensiveness in

examining the problem. This disorder is generally inherent in our economic thinking. One sees this after analyzing the philosophy of perestroyka. We concluded that by examining as many factors as possible we can picture the national economy as a single complex, an unbreakable unity of hierarchical elements. Therefore, the concepts of perestroyka are based upon a famous triad: organizational structure, planning and the economic mechanism.

"This accuses everything, economic science, bureaucrats, all of them, but not taken alone and not for their philosophy. One again I want to stress that line managers can and should develop a strategy."

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### INVESTMENT, PRICES, BUDGET, FINANCE

**USSR Decree on Role of State Bank Published**  
18200267 Moscow *SOBRANIYE POSTANOVLENIY PRAVITELSTVA SOYUZA SOVETSKIKH SOTSIALISTICHESKIKH RESPUBLIK (OTDEL PERVYY)* No 32, 1988 pp 549-559

[Decree of the USSR Council of Ministers: "On Ratifying the Charter of USSR Gosbank"]

[Text] The USSR Council of Ministers decrees that:

1. The proposed USSR Gosbank Charter is approved. 2.<sup>1</sup> [Paragraph 2 is not included]. 3. The following are no longer in effect:

—USSR Council of Ministers Decree of 18 December 1980, No 1167 "On Ratifying the Charter of USSR Gosbank" (SP USSR [USSR Decrees], 1981, No 3, Article 12);

—Paragraph 3 of changes in Decree No 490 approved by the USSR Council of Ministers on 2 June 1983: "On Measures for the Further Development of Savings and to Retain Cadre at Savings Offices" (SP SSSR, 1983, No 14, Article 68);

—Paragraph 4, changes in Decree No 911, approved by the USSR Council of Ministers on 16 September 1983: "On Ratifying the Basic Provisions of Accounts in the USSR National Economy" (SP SSSR, 1983, No 27, Article 155).

Chairman, USSR Council of Ministers, N. Ryzhkov

Administrator of Affairs, USSR Council of Ministers, N. Smirnyukov

Moscow, Kremlin, 1 September 1988, No 1061

**Charter, State Bank of the Union of Soviet Socialist Republics**

1. The State bank of the USSR (USSR Gosbank) is the country's main bank, the only bank of issue, the organizer of credit and account relationships in the national economy.

USSR Gosbank is subordinate to USSR Council of Ministers. USSR Gosbank supports the centralized planned management of the country's monetary and credit system, regulates the activity of specialized, commercial joint stock and cooperative banks and other credit institutions in the USSR, implements a unified state policy in money circulation, credit, finance, account and cash operations, generally assists in observing state interests, the development of initiative and entrepreneurialism among enterprises, associations and organizations, strengthens cost accounting and the exercise of their rights granted in the USSR Law on State Enterprises (Associations) and the USSR Law on Cooperatives.

2. The main tasks of USSR Gosbank are:

—improve the efficiency of general state credit resources to attain good final results in the national and regional economies, introduce an effective cost controlling credit mechanism based upon the strict observation of credit allocation principles (material support, timeliness, reimbursement and payment of credits);

—general consolidation of money circulation in the country, improving the stability and purchasing power of the Soviet ruble;

—introduction of the most economical and progressive forms of credit and accounts to the turnover of circulating capital, increase the output-capital ratio and profitability of production, strengthen payment discipline in the national economy;

—analyze and forecast money relations in the national economy;

—coordinate the activities of banks in the USSR, control all main directions in the activities of the USSR's specialized banks, and analyze their measures to restructure work in the new operating conditions;

—use automated management systems for bank operations based upon modern computer systems.

3. In accordance with the tasks entrusted to it, USSR Gosbank is to:

a. Participate in compiling drafts of the state plan for the economic and social development of the USSR, the USSR state budget, consolidated state financial balances, balance of the population's incomes and expenditures, consolidated foreign exchange plan for the country.

b. Develop, with participation of specialized Soviet banks, and present consolidated USSR credit plans to USSR Council of Ministers for approval.

c. Concentrate credit resources formed through USSR state budget and resources in accounts and transfer them for payment to other banks for allocating credit.

Form reserve as determined by the USSR annual consolidated credit plan. This reserve is used to meet additional demand for money arising during fulfillment of the USSR state plan;

Form a fund for regulating credit resources in the USSR banking system by using bank resources and deposits, the size of which is determined by the USSR Gosbank Board upon agreement with USSR Gosbank and USSR Council of Ministers;

d. With participation by the union republic council of ministers compile and present, jointly with USSR Gosplan the USSR Council of Ministers and the USSR Ministry of Finance, the drafts of USSR quarterly consolidated cash plan and issue results for union republics, determines the procedure for developing cash plans for union and autonomous republics, krais, oblasts, autonomous oblasts, autonomous okrugs, cities and regions; prepare and implement, jointly with USSR Gosbank, Ministry of Finance, union republic councils of ministers and with participation by specialized Soviet banks, measures to improve money circulation in the country and to increase the purchasing power of the Soviet ruble.

e. Centrally regulate money circulation in the country, has the monopoly to issue USSR Gosbank notes in amounts determined by USSR Council of Ministers, state treasury notes and money, to organize their printing, transportation and storage and to create, within its institutions and in institutions of specialized Soviet banks, reserve funds of USSR Gosbank notes, treasury notes and money and to determine the size and disposition of these funds.

f. Jointly with USSR banks collect ready cash at USSR banks.

g. Determine, jointly with specialized Soviet banks and using a standard methodology mandatory for all bank institutions, credit conditions, credit subsidies, measures for credit actions against debtors and conditions for their use, establish rules for accounts and cash operations in the economy, procedures for accounting and reports at USSR Banks, the size and procedure for making payments for resources attracted from other banks.

h. Establish, with participation by specialized Soviet banks and upon agreement with USSR Gosplan and Ministry of Finance, interest rates for credits.



i. Organize and implement (through its own republic banks, its own local administrations and rayon and city departments of specialized Soviet banks) the cash operations of the USSR state budget, establish, upon agreement with Ministry of Finance, a procedure for conducting cash operations for the USSR state budget.

j. Support a unified foreign exchange policy. For this purpose it develops, jointly with the USSR Vneshekonombank [Bank for Foreign Economic Activity], foreign exchange operations procedures and rules common to all banks. Establish official exchange rates for foreign currency that must be used throughout the USSR, publish these rates in the press, provide accreditation for the representatives of foreign banks and other credit organizations in the USSR, represent the interests of the USSR in relations with central banks of other countries, with international banks and other financial and credit organizations; has the right to obtain credits from foreign and international banks and other financial and credit organizations, to float loans, grant credits and loans to foreign and international banks, credit and other organizations, take deposits, sign correspondent and other contracts with them, act as a guarantor for monetary obligations of Soviet and foreign legal entities and international organizations.

Authorize the creation, with banks from other countries, of joint financial and credit organizations in the USSR; can, in the established manner, participate in joint stock or other corporations abroad and in the USSR; solve other questions in foreign economic activities within its competence.

k. Conduct, jointly with specialized Soviet banks, work on the automation and mechanization of banking operations, provide centralized services to all USSR banks through a unified computer system.

l. Upon agreement with the USSR State Statistics Committee, compiles a list of required reports for specialized Soviet banks.

m. Compile a consolidated balance for USSR banks.

n. Train personal for banks in the USSR at USSR Gosbank secondary specialized educational institutions.

o. Control the actions of specialized Soviet banks through progressive credit policies, the influence of the credit and accounting mechanism on the final results of expanded reproduction, the observation of payments discipline in the national economy, the development and implementation of measures to improve money circulation, cash operations of the USSR budget in various territories, provide rules and standardization in all USSR banks and institutions through USSR Gosbank normative acts on bank activities.

p. Examine normative acts by specialized Soviet banks subject to its agreement, and which are mandatory for its clients or which concern the activities of other Soviet banks.

q. Register the charters of commercial, joint stock and cooperative banks and other credit institutions set up in the USSR.

4. USSR Gosbank has the right to:

a. Publish normative acts mandatory for all specialized, commercial, joint stock and cooperative banks and other credit institutions and their clientele. These acts specify the rules for compiling and implementing credit and cash plans, organizing money circulation, credits, finance, accounts, cash operations, reports, control over expenditures from the wages fund and other main questions in bank activity. Within the levels of its competence the bank also gives obligatory instructions to specialized Soviet banks and other banks.

b. Obtain, (from specialized, commercial, joint stock and other credit institutions) reports and other materials necessary for compiling consolidated credit, cash and foreign exchange plans, analyzes the implementation of these plans and of the unified state policy in money circulation, credits, calculations and foreign exchange operations.

c. Obtain (from ministries, agencies, ispolkoms of ray and oblast soviets of people's deputies) plan and report materials necessary for compiling cash plans.

d. Obtain data necessary for analyzing monetary and credit relations and the implementation of credit and cash plans. These data are obtained in the established manner from the USSR State Committee for Statistics, republic and local state statistics organs in accordance with present state reports.

e. Set limits on circulating cash residuals for specialized Soviet banks rendering cash services for enterprises, associations, organizations and institutions.

f. Establish specifications and procedures for determining the value of USSR State Bank notes and USSR state treasury notes.

Together with the rights indicated in this Charter, USSR Gosbank also has other rights granted in accordance with USSR legislation.

5. In its activities USSR Gosbank is guided by Soviet laws, other decisions of the USSR Supreme Soviet and its Presidium, decrees and rulings of the USSR Council of Ministers and by this Charter. It will see that the law

is observed by all its institutions and subordinate enterprises and organizations, use legislation to solve problems within the competence of Soviet banks, develop proposals for improvements in legislation and make them to the USSR Council of Ministers.

USSR Gosbank and its institutions do not have the right to carry out instructions and demands not in accordance with existing legislation, this Charter and normative acts of USSR Gosbank regarding credits, finance and accounts.

6. USSR Gosbank conducts its policy based upon a combination of collegiality and one-man management in the discussion of all questions of bank management.

The USSR Gosbank Board is made up of: the Chairman of the Board, appointed by the USSR Supreme Soviet, or, during Supreme Soviet Sessions, by the Presidium of the Supreme Soviet; deputy chairmen appointed by the USSR Council of Ministers and Board members, approved by the USSR Council of Ministers.

The USSR Gosbank Board is located in Moscow.

The Chairman of the Board of USSR Gosbank is a member of the USSR Council of Ministers and enjoys rights granted to USSR ministers. The Chairman is head of the USSR Council of Banks.

7. The Chairman manages all activities of USSR Gosbank and is personally responsible for implementing the tasks entrusted to USSR Gosbank.

The Chairman of the Board of USSR Gosbank:

a. Based upon and executing the laws of the USSR, other decisions of the USSR Supreme Soviet and its Presidium, USSR Council of Ministers decrees and rulings, publishes orders and other instructions on USSR Gosbank activities and decrees and other normative acts directed towards assuring a unified state policy in money circulation, credits, finance and accounts in the national economy.

b. Authorizes (within the limits of issue approved by the cash plan) the temporary issue of money for the union republics above their cash plan for issue or for an increase or decrease in the target for removing money from circulation through the free cash resources of other union republics.

c. In accordance with existing law disposes of all USSR Gosbank property and resources, makes agreements, sets the procedures for assuming obligations and agreements in USSR Gosbank's name and represents the government in the USSR and abroad in all questions of USSR Gosbank activity.

d. Establishes, reorganizes and liquidates USSR Gosbank institutions and subordinate enterprises and organizations.

e. Approves staff assignments for the USSR Gosbank central apparatus and a standardized structure for republic banks and local USSR Gosbank administrations.

f. Approves funds for paying workers at republic banks of USSR Gosbank.

g. Appoints officials at USSR Gosbank in accordance with the approved nomenclatura, releases them, sets salaries in accordance with existing law, provides incentives to outstanding workers and enforces discipline.

h. Approves rulings on structural units of the central apparatus and on USSR Gosbank institutions.

i. Assigns obligations to deputy Chairmen of the Board, establishes the work responsibilities of deputies and managers of structural units of the USSR Gosbank central apparatus.

j. The Chairman can entrust the solution of problems in his competence to his deputies and managers of structural units, and to managers of republic banks and local USSR Gosbank institutions.

8. At its meetings the USSR Gosbank Board examines:

—basic questions in organizing and implementing a unified policy for credit, calculations, money circulation, accounting and reports, bank control and other questions in activities by USSR banks;

—drafts of USSR consolidated credit plans, USSR consolidated cash plans and measures to fulfill them;

—the activities of republic banks, local USSR Gosbank administrations and subordinate enterprises and organizations;

—questions in personnel selection, disposition, education, training and retraining;

—drafts of the most important orders, decrees and other normative acts of USSR Gosbank;

—the annual USSR Gosbank report and balance, the annual report on the work of the USSR state banking system and the consolidated balance of Soviet banks;

—reports of managers of republic banks and local administrations of USSR Gosbank and of structural units of the USSR Gosbank central apparatus.

—decisions of the USSR Gosbank Board are usually implemented in the form of decrees and orders by the Board Chairman. If there are differences between the Chairman and the Board, the Chairman implements his

decision, reporting these differences to the USSR Council of Ministers, while Board members can inform the USSR Council of Ministers of their opinion.

9. USSR Gosbank forms union republic banks directly subordinate to it. It forms USSR Gosbank administrations in autonomous republics, krais, oblasts, autonomous oblasts, Moscow, Leningrad and the capitals of union republics.

USSR Gosbank republic banks are headed by board chairmen, and USSR Gosbank administrations by chiefs appointed by the USSR Gosbank Board Chairman.

In republic banks USSR Gosbank forms boards made up of a board chairman, deputies and board members appointed by the USSR Gosbank Board Chairman, who determines these boards' functions.

Republic banks and local USSR Gosbank administrations see that there is a unified state policy concerning money circulation, credits, accounts and cash operations; coordinates the activities of specialized commercial, joint-stock, cooperative banks and other credit institutions in their territories and controls their activities.

Within the limits of the rights granted to them by USSR Gosbank, republic banks and local USSR Gosbank administrations dispose of their resources and property and, in the name of USSR Gosbank, sign contracts with other organizations.

Republic bank board chairmen and chiefs of republic (ASSR), kray, oblast and city USSR Gosbank administrations head the bank councils, made up of managers of the specialized Soviet banks and representatives from other agencies, administrations (departments) in ispolkoms of local soviets of peoples deputies.

10. The USSR Gosbank central apparatus staff and labor payment fund is approved by USSR Council of Ministers.

11. Relations between USSR Gosbank and specialized, commercial, joint stock and cooperative banks and other credit institutions regarding the use of credits are based upon the principles of payment.

12. USSR Gosbank is a corporate body and operates on the principles of full cost accounting and self-financing.

The state is not responsible for USSR Gosbank obligations, neither does USSR Gosbank bear responsibility for state obligations, except in cases where such responsibility is entrusted to it by the USSR Government or it assumes such responsibility.

13. Profit is the main indicator for USSR Gosbank activities.

Profit, according to long term normatives approved in the established manner, is sent to the state budget, or used to form economic incentives funds and to supplement USSR Gosbank charter and reserve funds.

14. The following funds are set up at USSR Gosbank: charter fund, reserve fund, long term credit fund, fixed capital fund, production and social development fund, material incentives fund, and foreign exchange allocations fund

Upon authorization from USSR Council of Ministers and USSR Gosbank there can be other funds.

The charter fund is set at 1.5 billion rubles and backs up USSR Gosbank obligations.

The reserve fund is intended to cover possible losses from USSR Gosbank operations. Allocations to the reserve fund come from USSR Gosbank profit until it equals the charter fund. If the reserve fund is partially or completely spent to cover losses, then allocations to this fund are renewed and made in advance until it reaches the established size.

The long term credit fund is formed from USSR Gosbank profit and from money allocated for these purposes. This fund's size is determined annually by the USSR Council of Ministers when the bank's credit plan is approved.

The fixed capital consists of USSR Gosbank buildings, facilities, equipment and other property.

Rules on the procedure for forming and using the economic incentives fund are approved by USSR Gosbank, with agreement of USSR Gosplan, the USSR Ministry of finance and the AUCCTU.

15. USSR Gosbank audits the activities of its institutions and when necessary conducts reviews of specialized, commercial, joint stock and cooperative banks and other credit institutions.

USSR Gosbank has the right to obtain the materials needed for control and audit work from Soviet specialized banks and other banks and credit institutions, as well as from ministries, agencies, enterprises, associations and organizations.

16. Within the set schedules, USSR Gosbank presents for approval by USSR Council of Ministers an annual report on the USSR state banking system and a consolidated balance of USSR banks.

17. USSR Gosbank and its institutions are exempt from the payment of state and local taxes, imposts and duties.

18. USSR Gosbank and its institutions have a seal with the USSR State coat of arms and its own name.

## AGRO-ECONOMICS, POLICY, ORGANIZATION

### Failure To Support Collective Gardening, Orchard Efforts in RSFSR Lamented

#### Captive of Unproductive Land

18240096 Moscow SELSKAYA NOV in Russian  
No 2, Feb 88 pp 10-12

[Article by Yu. Govorukhin, Kalinin Oblast: "A Captive of Unproductive Land"]

[Text] "There are no unsatisfactory requests." These words occupied a separate line in all of the references and reports which I happened to read in the Kalinin Oblast Executive Committee and the agro-industrial committee. Yes and in discussions emphasis was placed upon the fact that in Leningrad Oblast there were 250,000 unsatisfied requests by citizens for garden plots and in Moscow—1 million. But here we do not have this problem—the requests are being satisfied almost momentarily.

I must admit that the complacent tone of papers and discussions have had their effect. Statistics have strengthened these doubts. At large scale enterprises which employ from 3,000 to 12,000 workers, only 6-9 percent of the families of workers have plots. In some regions there are either no horticultural associations whatsoever or they were only recently organized despite considerable reluctance. And throughout the oblast as a whole only approximately 14 percent of the municipal families participate in collective horticulture. It turns out that the remaining ones, owing to certain mysterious reasons, have become so lazy that they have no desire to work outdoors, to place potatoes in storage for the winter or to treat themselves and their children to non-store berries, fruit, pickles and relish. This was difficult to believe, especially upon learning that roughly one third of the plots at many of the 460 horticultural associations already in existence are not being used.

In response to the questions raised, some executives replied: "There is no demand." And they threw up their hands in a hopeless gesture, as if to say that our city-dwellers are truly deluding themselves by not applying themselves to the land and by not being imbued with the "peasant spirit."

It was at this time that I visited the village of Aleksandrovka, in the vicinity of which, on a large tract of 380 hectares, there are horticultural associations representing 26 Kalinin enterprises and organizations. During October of last year, we experienced dry sunny weather. And on one clear day I wore high boots as I made my way to the plot operated by Svetlana Vladimirovna Vasyagina of the Khimvolokno Production Association. She was wearing similar footwear and my feet became thoroughly wet in the damp and unsteady soil of a peatbog. It

was indeed swampy. My feet sank into the mud and just as soon as I dug a hole with my shovel it would immediately fill up with water.

"And indeed we are not novices. Our association has already been in existence for 7 years," stated Svetlana Vladimirovna when finally we reached a higher and more dry location. "It was difficult to count and difficult to say how many machines brought sand here and how many more are still needed. Imagine for yourself what it must have been like here originally! It is awful to even have to recall the events of those times. There was much work and it made little sense. Such land was suitable only for currants, while fruit trees drowned in the wetness."

"Why did you decide to take this plot?" I asked.

"Yes, a decision was made," sighed Svetlana Vladimirovna. "We city-dwellers have always dreamed of having our own patch of land. But we did not make the selection; only this land was made available to our association. There are times when I ask myself why we burden ourselves with such concerns? It is not easy to leave. Our work is difficult. And there is the money. Thus we will continue to remain here as garden prisoners!"

Here it is then—a bitter definition which accurately reflects the essence of the problems and the range of concerns of a city-dweller gardener. To acquire a motor vehicle, bricks, sand, farmyard manure, seedlings—this is all part of the problem. There is not electricity and it is not exactly known when it will become available. Only technical water is available from five small wells. In order to drink their fill, the "Khimik" workers go to the garden plots of the neighboring Iskozhevets Association. Only miserly assistance is being furnished by an enterprise. The workers told me that the chairman of the trade union committee, V. Bulankin, and the director of Khimvolokna, V. Markov, "are not rejecting any requests but at the same time they are not taking any action." Throughout the entire Aleksandrovka tract, there is not one store or shop. Even the smallest item must be brought from one's home: from a nail to bread and matches. Thus, is it any wonder that only one out of every ten of the association's workers decides to become a gardener?

One can easily understand why the "Khimik" Association now has its third chairman of the administration over a period of a few years. It is difficult. Each one of them had to spend his free time getting rid of and acquiring equipment. And for what purpose? For example, Valentina Vassilyevna Kolesnik is already the sixth chairman of the "Stroitel" Association of the Kalinin Construction-Planning Association.

"We have been in existence 6 years and the association has 160 members. Nevertheless, 68 of the plots are still empty," she stated. "And is it your thought that there is nobody wishing to take on these plots?" As many as you



like! There are more than 2,000 individuals working in our system. But they are not accepting the challenge! Not everyone is capable of finding the energy, time and resources needed for mastering the swamp."

In all, plots were allocated throughout the Aleksandrovka region for 8,000 citizens. However, subsequently more than one half of them refused to become "garden prisoners."

Is it possible that this results from the mistakes of past years? Could it be that following the recent decrees of the party and government concerning the development of collective horticulture and gardening, changes have taken place in the practice of setting aside and assigning land? Not at all! Here is a fresh example: the gardeners of the "Zemlyane" Cooperative, which was created in 1987 and in which workers from municipal enterprises were brought together, were "settled" on a swampy tract alongside the village of Avvakumovo. Of the 136 plots set aside here, less than one half were occupied. Occupants were not found for the remaining plots.

Thus, could it be that there are no free areas suitable for gardens in the Kalinin region? But here is the explanation given to me: on lands of the suburban Krestyanin Sovkhoz, workers attached to the Rosagropromsadsproyekt Institute uncovered 50 hectares of dry, level and underbrush-free land, which they recommended be made available for use as collective gardens. And the farm was agreeable to this. However, the land still lies unused. When I mentioned this absurdity to the farmers, they were indignant: "But our chairman of the oblast committee of the trade union for local industry workers and municipal-domestic enterprises, Nikolay Nikolayevich Labudin, stated that there is nothing and there will be nothing better or closer to Avvakumov. Thus, is it he whom we have to thank for our problems?" "Yes, in all probability he knew nothing about Krestyanin." "Certainly! Labudin will not have housing here, since he has a state country cottage."

In short, the impression has been created that the right hand does not know what the left hand is doing and that the plots are being distributed in a mysterious manner. Is this not so?

#### Stories in "Paper Seas"

Being in charge of horticulture, even more than being chairman of the association's administration, it is not enough merely to be industrious. One must also be a courageous individual," I was told by Valentina Vasilyevna Kolesnik. And she revealed a list of papers needed for preparing the planning-estimates documentation for the drilling of a well. Three years ago, a well involving incredible complications was drilled at the Stroitel Association. Yet the following items were needed in order to drill another one 50 meters from the first: a plan for the plot, the decision of the municipal soviet which made the plot available, a passport for the

nearby wells, the conclusion of the sanepidemstantsiya [sanitary-epidemiological station], an analysis of the water from nearby wells and an information-computation on the water requirements. In all, 10 documents. All of this is included in the oblast plan and later the well is included in the "Burvodstroy" plan. But these steps provide no guarantees.

Moreover, here we are discussing technical water. The papers for the drilling of a deeper artesian well are considerably more complicated. Certainly, it would be simpler to hire workers who, in the absence of red tape, would find the water in the areas where needed. But they usually ask such an exorbitant price that even a gardener who is hardened to countless requisitions rejects the senseless expenditures and prefers to carry pails to a distant mosquito pond and to bring drinking water with him from home in bottles or a can.

There are also problems with electricity. It is difficult to find an organization willing to install electrical lines for garden plots. Earlier, such work was not even included in the plan for a contractor. At the present time, it is being included, but this has not made it any easier—neither the volumes nor the return are the same. Yes and the customer himself, be it the "Stroitel" or "Vaggonnik," is not sufficiently reliable. Strict demands are not being made upon the customer and indeed he is not a production installation. Thus it is always very simple to brush aside the gardeners.

Even the latest decree of the party and government concerning the development of collective horticulture and gardening has changed very little the attitude towards horticultural associations in the various areas. The paper flow of the Kalinin workers has been increased by new types of information and recommendations. The land managers are working on the disposition plan for collective gardens at their former unhurried pace. And it should have been prepared two years ago.

"We still do not have a complete picture," states Vyacheslav Vladimirovich Larin, a leading engineer and land manager. "We must inventory the oblast's land in order to uncover those lands considered to be most suitable for collective horticulture. At that time, we will no longer be driving people into a swamp."

"And when will you have such information at your disposal?"

"No earlier than 1989," replied Larin.

And so it goes! The prospects remain as before: the gardeners, just as in the past, will be given exploited peatbogs, dumping grounds, quagmires and the slopes of ravines located at great distances from transport arteries and electric and water supply systems, despite the fact that more suitable and fertile tracts may be located nearby. But indeed this is in conflict with the decisions handed down! There is talk of creating a regime which



will be more favorable for the gardeners. Moreover, the number of garden plots in the oblast must be increased by 35,000 by 1990. Just how will this tense task be carried out given the present situation?

The land managers have clarified still another detail: it turns out that of the 3,200 collective requests by new associations for the allocation of plots presented in 1987, only 1,200 of them had been processed by November. It developed that there were "no unsatisfied requests," but what about those that were never processed? It turns out that the people who agreed to the gardening ordeals had to wait almost a year for their cooperatives to become operational.

It must be admitted that the land managers have difficult work. There are only three of them in the oblast's agroprom [agro-industrial committee] and just one in each of the rayons. And the only task they are capable of performing is that of handling the numerous papers required for the allocation of garden plots. This does not include any plans for taking inventory!

It bears mentioning that those who were able to study this "work" were in all probability surprised by the selflessness of those people who decided to settle on these unproductive lands. The eyes are dazzled by the firm forms, false seals and resolutions of the "I agree" and "I object" types. Permission must be obtained from the architects, gas workers, communications specialists, electricians, hydrologists and geologists. The "work" agreed upon must be approved by the rayon executive committee, later by the oblast and when finally it has passed all "inspection," the association commences its campaign for survival with the interested organizations.

I held a notable discussion with the chairman of the Vyshnevolotskiy Rayon Executive Committee Nikolay Yefimovich Sukhinin. He attended a session of the oblispolkom [oblast executive committee] at which problems concerned with the development of collective horticulture were to be discussed. It should be noted that the tasks concerned with increasing the number of garden plots in the rayons are not being carried out, with only poor efforts being made in this regard in Vyshnyy Volochek, Kashin, Zubtsov, Kalyazin, Ostashkov, Rzhev and Torzhok. Although in this same Vyshnyy Volochek, for example, only 3.7 percent of the citizens are members of horticultural associations.

Thus Nikolay Yefimovich attended the session and he had, it can be stated directly, an extremely vague notion regarding the true status of affairs in the rayon. Certainly, he knew that there was nothing to brag about, but at the same time he had no idea as to who needed help or how it was to be given.

"What would you have us do?" he asked, "Well we will force the leaders of enterprises to devote more attention to the societies and we will hold them responsible."

"This is an extremely vague program," I commented. "What did you do during the session?"

"They did not tell me that I had to speak," the chairman of the rayispolkom [rayon executive committee] confessed openly.

Such an approach to collective horticulture is typical. And indeed the city-dwellers grow one third of Kalinin's potatoes and vegetables in their gardens. One third! From each hectare of their unproductive land, the local city-dweller gardeners obtain on the average ten times more fruit, berries and vegetables than is being obtained from the same amount of agricultural land on farms.

In principle, the officials of the oblispolkom [oblast executive committee] are aware of the importance of collective horticulture and gardening. But the distance between understanding and practical assistance is indeed great. During my period of temporary duty in the oblispolkom, materials were prepared for the session and a great amount of work was carried out in connection with assembling figures from the rayons. I received complaints: it is unfortunate that there is no state accounting for the collective gardens. I was also informed that the work needed a "head"—there is no unified center in the oblast which could coordinate and direct the work of the horticultural associations.

Truly, there is only one worker in the oblispolkom and one in the agro-industrial committee who are concerned with the problems of collective horticulture. And Veniamin Aleksandrovich Lyusev, the elected chairman of the oblast council of gardeners, is heavily burdened with other affairs, since he is also the deputy chairman of the agro-industrial committee and the chief of Kalinin-plodoovoshchkhov [Kalinin Fruit and Vegetable Economy].

"In the absence of a 'head', nothing is being accomplished," he stated. "At the very least, a department should be created attached to the oblispolkom which would concern itself with collective horticulture and gardening. This would make sense."

It is possible that these organizational measures will produce a definite effect, but they should not be viewed as a panacea for all of our problems. The impression still persists that the Kalinin oblispolkom possesses only a vague awareness of the simple everyday concerns and difficulties of the horticultural associations—both those that have existed for some time and the new ones.

#### Who Needs A Horticultural Ruble?

One fact is alarming: the oblispolkom has tasked the municipal and rayon executive committees with allocating the garden plots. The enterprises are not consulted. The leaders of plants, factories and organizations simply are not aware that such tasks exist.

Why do we have such indifference? During the course of frank discussions, the rayon leaders admitted that the task of providing services for the associations tends to divert forces and resources and gives no promise of a rapid return—either material or moral. The rayon authorities receive no payment from the associations for work carried out in connection with draining the plots or providing electricity and water. Certainly they should be praised for this rather than criticized.

Rayon services are still in an embryonic stage. A tremendous amount of time and energy must be expended in order to acquire a motor vehicle for hauling construction materials from a timber-trade base, sand or farmyard manure. Moreover, the vehicle is thoroughly inspected while enroute by workers attached to the GAI [State Automobile Inspection]. This is why a gardener sadly recalls those times when he could slip a 10-ruble note to a driver and be assured that any freight would be delivered to his plot.

According to V.A. Lyusev, the organizations for domestic and transport services for the population, at least initially, should plan the volumes of services to be provided to gardeners. In this manner, these services would never "disappear" and later, as more use is made of the system, materials and fertilizer could be supplied to the plots for monetary payments.

Generally speaking, the work is being held up considerably by a lack of economic interest on the part of the executive agents in the customers' money. The rubles of the gardeners are not attracting the contractors. This is just small change compared to their main profits. We still do not have true economic interest and strong-willed decisions prevail: to allocate tractors for the gardeners, to sell fertilizer or to refuse...

There was a special discussion regarding fertilizer and particularly farmyard manure. There is a shortage of farmyard manure throughout the oblast and the farms wish to apply it first of all to their fields. With varying success, the gardeners are storming the sovkhos boards of directors and the kolkhoz administrations and the farm leaders do not look forward to their meetings with the city-dwellers. For example, here is the opinion expressed by the deputy chairman of the suburban Kolkhoz imeni Kalinin, Viktor Dmitriyevich Listsyn.

"We searched for, found and turned over to the horticultural association seven and one half hectares of land and we furnished assistance in carrying out stubbing work. And why should the land be wasted? We are sharing our farmyard manure. However, I admit that we negotiate with a gardener not out of kindness but rather from a practical standpoint. The arrangement is a simple one: he cuts down a ton or two of hay or he helps in the potato harvest—he then receives a truckload of farmyard manure."

It turns out that there is even a desire to help the gardeners by supplying them with fertilizer. But a serious problem exists in the case of seedlings. Each year the requirement for them is in excess of 8,000. However, within the oblast they are being grown only at the Krestyanin Sovkhoz, which is capable of satisfying only 40 percent of the requirement. The local agroprom [agro-industrial committee] considers the solution to be that of transferring the sovkhos over to the Rossadpitomnik Association, where relationships can be established with similar farms in other oblasts, thus making it possible to purchase the needed seedlings.

"This is not a solution for the problem," stated the director of the sovkhos, Viktor Ivanovich Tsvetkov, in clear disagreement. "We must create our own plant nursery base. The sovkhos produces a large variety of products and yet our saplings are grown, we are ashamed to admit, by just three individuals. Earlier a brigade consisting of 30 individuals operated the nurseries, but today there is a shortage of workers and thus most of the work is being performed by students. Surely you can understand that the quality of the care being provided for these young trees leaves a great deal to be desired. Earlier there was an SPTU [agricultural professional-technical school] in the oblast, where professional gardeners were trained. This school was subsequently done away with. Yet the flow of personnel continued. Yes and the technology for growing saplings continues at an antiquated level. And indeed high-speed flow-line methods for producing planting stock are available."

The problems and difficulties of the Kalinin gardeners can be described in one word—unproductive land. I have in mind not only those that were created by nature, but also those that have derived from bureaucratism and indifference. We must no longer remain captives of unproductive land!

**The chief of the Sector for Subsidiary Farms and Collective Horticulture of USSR Gosagroprom, V.A. Ryabov, comments upon the above material by our special correspondent:**

Truly, despite the important decisions handed down in recent years by the party and government, aimed at developing collective horticulture and gardening, improvements are being realized in the various areas only slowly. This is explained to a considerable degree by the fact that the leaders of many enterprises and organizations, agro-industrial associations and committees and also party and soviet organs are continuing their old approaches and viewing the concerns and problems of the city-dweller gardeners as though they are of third-rate importance.

Over the past year, the number of garden plots increased by only 572,000. This means that the established task—increasing the number of plots by 1 million—was fulfilled by only 57 percent. In particular, a considerable lag was tolerated in Azerbaijan, Turkmenia and Moldavia.

The author of the article is correct in placing emphasis upon the fact that the people were allocated almost inaccessible and unproductive lands. At the same time, according to data supplied by USSR Gosleskhoz [State Committee for Forestry], there are non-swampy and non-forested lands available for accommodating 60 million garden plots. In the northwestern region there are 60,000 hectares of such land, in the central region—200,000, in the Volgo-Vyatskiy region—230,000, and in the Urals region—595,000 hectares.

The difficulties associated with the development of land allocated for collective gardens are aggravated by their remoteness and this is often unjustified. For the sake of fairness, I should mention that in Kalinin Oblast the people are given plots that are located within a radius of 20 kilometers from their homes. Yet in Leningrad Oblast, 176,000 garden plots are located at distances of more than 100 kilometers from the residences of the owners. As a result, large tracts of land still remain undeveloped. The gardeners in Moscow, Irkutsk and Novosibirsk oblasts have to travel considerable distances, at times as much as 120-160 kilometers from their cities, in order to reach their plots.

Plans for the placement of collective gardens have still not been developed or approved in all areas. For example, such plans are not available in the Karelian ASSR, or in Bryansk, Kemerovo, Kursk or Samarkand oblasts. This work has been carried out on a formal basis in Ashkhabad and Mary oblasts. Throughout the country as a whole—at enterprises and in local soviets—more than 4 million unsatisfied requests by workers for garden plots have accumulated. In Azerbaijan and Turkmenia, only 1.5-2 percent of the municipal families have collective gardens, in Armenia and Kirghizia—6, and in Kazakhstan—less than 10 percent.

I believe that the figures speak for themselves. We are confronted by a seemingly endless amount of work. And first of all we must eliminate the red tape and bureaucratism associated with the allocation of land.

#### **Response To Govorukhin's Article On Unproductive Land**

18240096 Moscow *SELSKAYA NOV* in Russian No 12,  
Dec 88 p 13

[Article by S.A. Lomtev, deputy chairman of the Kalinin Oblast Executive Committee: "A Captive of Unproductive Land"]

[Text] "A Captive of Unproductive Land," such is the title of the critical article by Yu. Govorukhin, published in the 2d issue of the journal for this year.

The Editorial Board has received a reply signed by the deputy chairman of the Kalinin Oblast Executive Committee S.A. Lomtev. The criticism is recognized as being correct. The oblast executive committee, together with the oblagroprom [oblast agro-industrial committee],

after analyzing the article, have outlined and are carrying out measures aimed at eliminating the shortcomings noted in the development of collective horticulture and gardening.

A program has been approved for the placement of collective gardens, with the plans calling for the allocation of 4,400 hectares, including 2,700 hectares of kolkhoz and sovkhoz land and 1,700 hectares from lands of Goslesfond [State Forestry Fund] and Goszemzapas [State Land Reserve]. The plots selected are for the most part suitable and are located in the vicinity of highways and railroads and electric and water supply sources.

This year the USSR State Bank issued 2.4 million rubles worth of loans for the acquisition of gardening buildings. This is 1 million rubles more than the amount of last year. The list of construction materials sold to the population has been expanded considerably. The requirements of the gardeners for brick, slate, cement, lime and peat-mineral fertilizer are being satisfied completely. Greater sales are being made in the area of various types of orchard and gardening equipment, frameworks for hothouses and plastic shelters, mineral fertilizer and plant protective agents in packaged form. Fairs are being organized for the gardeners. A permanently active exhibit of standard gardening buildings, produced by enterprises within the oblast, has been opened for the purpose of studying consumer demand.

An important problem—supplying the gardeners with planting stock. In addition to the Krestyanin Sovkhoz, which is the principal supplier, the Rzhev Sovkhoz-Technical School specializes in the growing of fruit and vegetable crops. This will make it possible, by 1990, to double the sale of seedlings to gardeners.

Thirty six seasonal points have been opened for purchases of surplus fruit and vegetable products and on the large horticultural tracts—Aleksandrovka, Trubino, Avvakumovo—permanent stores.

Improvements have been realized in the provision of transport services for orchard personnel and gardeners.

Measures are being undertaken aimed at eliminating the shortcomings in the domestic and administrative services for the largest tract of the horticultural associations in the village of Aleksandrovka. A new autobus route leading to this village has been opened up. This year the Kaliningrazhdanproyekt Institute is issuing planning documentation for the construction of an electric power line for the horticultural associations mentioned in the article and the contractor has already been decided upon.

The measures undertaken by the soviet and economic organs have promoted growth in the collective orchards and gardens. Twenty four new horticultural associations have been created and 5,266 plots of land have been allocated—more than double the amount for last year.



It is recognized in the reply that, notwithstanding definite progress, a great amount of work still remains to be carried out if improvements are to be realized in the provision of transport, domestic and administrative services for the orchard workers and gardeners. Only slowly are solutions being found for the problems concerned with electric and water supply and the construction of roads leading to the collective gardens.

In a reply signed by the chief of the Department for Kolkhoz Affairs and member of the Board of Gosagroprom for the RSFSR, A.D. Mikhaylov, emphasis was placed upon the fact that the problems concerned with the allocation of plots of land for horticultural associations and timely support in the form of planting stock and mineral and organic fertilizer are typical not only of Kalinin but also other oblasts. At the present time, work aimed at developing collective horticulture is being further activated. Last year, the residents of cities and settlements in the Russian Federation were allocated 828,000 garden plots, or 18 percent more than the number called for in the task established by the directive organs and greater than last year's level by a factor of 1.7.

A fine example is being set in Leningrad Oblast, where an administration for providing services for collective horticultural operations has been created attached to the gorispolkom [municipal executive committee]. The SMU [Construction and Installation Administration], which is also attached to the gorispolkom, ensures the production of buildings and other structures in accordance with standard plans. In Orenburg Oblast, at the Vesenniy Fruit Nursery Sovkhoz, an enterprise has been organized for providing all-round services for gardeners. Over the course of a year's time, this enterprise performed 900,000 rubles worth of services. In Sverdlovsk Oblast, horticultural and gardening associations are being created in sparsely populated villages.

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### **Solutions Needed for Horticultural Society Problems**

18240096 Krasnodar SELSKIYE ZORI in Russian  
No 7, July 88 pp 30-31

[Article by A. Ushakov: "Experience—In Retail and Wholesale"]

[Text] It appears as though there is a green necklace of gardens surrounding the city of Ordzhonikidze. Eleven horticultural associations are located on 656 hectares in the capital of the North Ossetian ASSR. And throughout the entire autonomous republic there are 24 of them on 1,085 hectares.

One year ago, a republic voluntary society for gardeners was created here. Proper order is being introduced into accounting procedures, new associations are being created and a number of problems requiring early solutions have been singled out.

### **As Yet—Only a List of Problems**

The chairman of the republic's Council for the Voluntary Society for Gardeners, T.A. Alikov:

Many tasks still lie beyond the capability of the newly created society. A need exists for a firm relationship and interaction with the organs of government, the agroprom [agro-industrial committee] services and the farms. No sooner did it become known that we have a council for gardeners than colleagues from neighboring autonomous republics began arriving for the purpose of acquiring experience. But aside from a list of our problems, what else can we tell them? We defined the tasks in the materials of the republic conference for gardeners, which was held in March of this year.

The deputy chairman of the republic's council for DOS [Voluntary Society for Gardeners], B.K. Kruglikov:

Successful solutions will be found to the extent that these tasks were accurately defined. Today we have in hand a list of 12,000 individuals desiring to obtain garden plots. Bank loans are being issued to those who are commencing the construction of buildings on them. Meanwhile, not everyone is able to invest these means as intended. The construction of garden buildings has been entrusted to Remstroy [Repair and Construction Administration] and Grazhdanstroy, but as yet these organizations are not carrying out their production plans and they seem to be unable to handle the workload of 200 additional structures annually. And if a gardener elects to undertake the building himself, the loan is not sufficient owing to the fact that the prices for construction materials in the stores are too high. Generally speaking, brick is not available anywhere. Thus we are waiting until some attention is focused on our amateur gardeners by officials of the Council of Ministers for the ASSR and its Gosagroprom [State Agro-industrial Committee], such that the problems concerned with the development of amateur gardening will be resolved, as expected, at the state level.

For us it is still an amateur undertaking. Old methods are being employed, methods which involve fear and risk in acquiring seedlings and fertilizer for the associations. We imported 150,000 roots of currant bushes and 50,000 raspberry plants over a great distance, from the Urals region. Similarly, 78 tons of mineral fertilizer were imported last year on an unplanned basis. It is doubtful if such methods will be profitable for us in the future. The only true method—the development and adoption

in our republic of a well thought out program for the further development of collective horticulture and gardening. Spontaneity cannot be tolerated in such a mass undertaking.

There is still one other problem. Our society was created on a municipal base and initially the salaries of the staff workers of the republic's DOS council were the same as their predecessors. The Ministry of Finances for the North Osetian ASSR reviewed these salaries and lowered them considerably. Thus, our work has increased and our wages have declined. This problem is also awaiting a solution.

#### Anyone Can Solve the Problem

Chairman of the administration for the Ordzhonikidze "Metallurg" Horticultural Association A.B. Bardetskiy:

Under the conditions established for a horticultural cooperative, cost accounting is the most acceptable method for managing affairs. It would seem that independence, self-financing and self-recoupment assume the concluding of agreements with farms and enterprises for deliveries of fertilizer and seedlings and for the carrying out of construction and repair work—the contracts are signed and cooperative money is paid. But this is not the case in actual practice. Specialized enterprises require a broad front of work and a long-term contract. Here we see the need for a republic DOS council—to unite and centralize the opportunities and needs of the horticultural associations and to establish the requirement for a planning committee for the autonomous republic. Issue No. 4 of SELSKIYE ZORI for this year contained an article on the experience of the Belgorod Oblast DOS council. Here the oblistpolkom adopted a decree which the horticultural associations assigned to those farms responsible for supplying them with fertilizer. Other services were centralized in a similar manner—transport, energy producing and construction. All of this took place through the council for gardeners.

We can still solve our own problems. During a general meeting for the association's members, the following facts were established: we have no need for a staff agronomist, since many of us have agronomic educations and extensive practical experience. These gardeners—P.M. Kirilin, G.N. Sakhno, A.A. Avakov, T.T. Ambalov, V.F. Vykhotsev, K.N. Kasumov, V.G. Koliyev and others—undertook to furnish free consultation on agrotechnical matters. There is a brigade which provides assistance in the form of work and which is paid in accordance with a price list—trimming bushes, spraying plants, working soil. In accordance with a decision handed down during the meeting, 30 percent of the overhead expenses are added to the association's income.

This year the collective of our association accepted an obligation: to obtain yields of 7 tons of greens, 40 tons of vegetables, 35 tons of berries and 155 tons of fruit. In the

form of patronage assistance, we will turn the following over to dining halls: a plant—300 kilograms of greens and 2 ton of fruit, a kindergarten and a nursing home for elderly people—a ton each of fruit and berries. We are preparing 65 tons of fruit and 10 tons of berries for sale at the market and we are planning to turn over roughly the same amounts to the cooperative trade. In addition, our amateur flower growers are planning to sell 7,000 rubles worth of various types of flowers.

These are truly realistic obligations. While carrying them out, we will continue to develop our cooperative economy and solve our organizational problems.

Using our own resources, we installed a water line for drinking water and irrigation. We joined in a campaign to economize in the use of resources and we carried out repairs on a road in a thrifty manner. But we still simply are unable to carry out all of our plans: there is no centralized assistance. Meanwhile, we have adequate reserves. They are to be found in subsequent development of democracy. The association's administration holds a meeting once a month. I conducted the first such meeting this year and subsequent ones are being chaired by members of the administration, as they take turns in alphabetical order. Thus, each individual is displaying greater initiative. And immediately there have been many specific and business-like recommendations, all of which have been included in the plan which we prepared for developing the "Metallurg" Association during the period up to 1990.

We will solve the assigned task for modernization, both of individual garden plots and of all lines of communications for the tract, using the resources of the gardeners. For some time now, our amateur orchard workers and gardeners have consisted mainly of people of advanced age. But the times are changing. Today approximately one half of the members of our association are young and energetic individuals. They are capable of employing new methods and transforming and beautifying the land with gardens.

#### Expanding the Front of Work

Chairman of the administration of the "Terek" Horticultural Association I.A. Garevich:

Only a road separates us from the "Metallurg" Association. And I do not wish to cite our own problems, which are not familiar to the "Metallurg" Association. Let us take the sale of fruit and vegetable products. We have many experienced experts. High fruit yields are being obtained from the plot of N.N. Dzhanyayev. The family of E.A. Biragov grows onions, parsley, dill and other greens. Kilogram tomatoes are being grown in beds maintained by S.I. Vdovenko. The plot of L.A. Tsigurin is praised for its currant bushes and that of P.A. Dubkov—for its mazzard cherries. These individuals, like many others, do not concentrate on just one crop, but rather they grow a variety of crops in their orchards

and gardens. And I know that it is with extreme satisfaction that customers purchase these products at the prices asked by the gardeners. One problem lies in the fact that our procurement offices have infrequent guests. Last year, one procurement specialist paid a visit here and offered 25-30 kopecks for a kilogram of excellent fruit that had been hand-picked from trees, fruit which certainly was sold for a price no lower than 1 ruble per kilogram. And this was a rare episode in the relationships of our gardeners with a customer. If mobile points for the acceptance of fruit and vegetables were in operation here, the problem of supplying the population with vegetables and fruit would be greatly simplified!

Our work is not being evaluated properly. Thus at times the attitude towards the society's members is biased: "summer residents," that is, clearly not living within their means. It is offensive to realize that this attitude is no better among those responsible comrades who are obligated to help us. We turned to the Terskiy Lime Plant for some lime. The cost per ton—18 rubles. But they charged us 30 rubles. You are summer residents! If you are not satisfied, make your purchase in a store. Since 1985, the RSU [Repair and Construction Combine] of Sovetskiy Rayon in the city of Ordzhonikidze has been erecting an office building for us. But as yet the building is no higher than the foundation, despite the fact that we prepared and turned over to them all of the required documentation. The RSU is not interested in our small installation, but rather it wishes to carry out construction where more money is involved. Here then is an example of amateurish work and the situation would be entirely different if the horticultural associations were combined making them more attractive to the construction organizations. It is the task of the republic's council of gardeners to achieve this goal.

#### Protecting the Crops Grown

Agronomist N.A. Sokolov of the "Sputnik" Horticultural Association:

In addition to the dissemination of organizational experience, mention must also be made of the need for strict observance of the agrotechnical rules for the plots of associations. Our "Sputnik," the largest of the associations, has 2,500 members. The entire tract is divided into two zones, one of which I control while the other is controlled by our second agronomist L.V. Sanakoyev. We can share experiences with each other.

During planned inspections of both zones, we studied each plot. A strict record is being kept of all violations of the agrotechnical rules. In accordance with the pertinent document, a gardener who is at fault is summoned before us: he is told when to report to the administration, where he is made aware of the flaws noted in his garden maintenance work. He signs an agreement and vows to carry out the necessary soil work and apply fertilizer by a particular date. Subsequently a check is made to see that the work was carried out. Thus, at the present time

we only have a few plots that are being neglected by malicious violators. Similarly, we carry out inspections of the plots in order to detect diseases or the spread of pests.

Using our own resources, we are gradually creating a hothouse economy in which we will grow seedlings for tomatoes and cabbage and obtain cuttings of European black currants and grapes. The territory of two plots has been made available for this purpose.

As you can see, an association can also be of some importance as an independent unit. But at the same time, one loses heart when he is powerless to change things, for example when gardens are being lost. Everyone is aware that the city of Ordzhonikidze is growing, that its environs must be settled and that garden plots must yield to the erection of homes. But could not the gardeners been given several years warning, assuming that it was beyond their power to change the building plan? Recently it became known that a trolley route would be established through a portion of our tract. We were powerless to change anything. In still another area, the construction of a kindergarten would eliminate 150 garden plots. We are aware that the erection of such a facility is an important undertaking. Nevertheless, the expenditure of state funds for compensating those from whom the plots were taken could have been considerably less if everything had been done on a planned basis and not suddenly. In our case, this lamentable situation cannot be changed. But in the future I would like to believe that our republic's council of gardeners will protect the interests of those who by means of difficult labor have converted worthless and unproductive lands into beautiful gardens.

#### Vexing Problems of Gardeners Mentioned

18240096 Krasnodar SELSKIYE ZORI in Russian  
No 2, Feb 89 pp 37-38

[Article: "Who Will Shorten the List of Problems?"]

[Text] A number of difficult problems concerned with the development of collective horticulture and gardening in the North Osetian ASSR have been singled out by a club of amateur activists of the republic's Voluntary Society of Gardeners. Who should be approached regarding the construction of buildings on the land plots allocated, where can construction materials be purchased and planting stock obtained, who will take the surplus fruit and vegetable products grown in the societies and on the private plots and, finally, who will protect the garden tracts from an invasion of their territories by construction bulldozers? Here then are just a few of the alarming questions raised on the pages of Issue No. 7 of this journal for 1988, entitled "Experience—In Retail and Wholesale."



The chairman of the Presidium of the Supreme Soviet of the North Osetian ASSR I.Z. Metsayev replies to the journal:

The Presidium of the Supreme Soviet of the North Osetian ASSR directed the attention of specialists attached to the autonomous republic's Gosagroprom [State Agro-Industrial Committee] to the publication entitled "Experience—In Retail and Wholesale," on the problems concerned with the development of amateur gardening. Notable changes have taken place in conformity with the requirements of the June (1987) Plenum of the CPSU Central Committee on the additional allocation of land for collective horticulture and gardening. Compared to early 1986 when the republic had 14,000 plots in orchard and gardening cooperatives, recently, in conformity with the program for their development, 7,400 more plots were allocated. During 2 years of the 12th Five-Year Plan alone, the quantity of products produced by collective orchards and gardens doubled, the number of domestic poultry on plots increased by threefold and the number of otters, rabbits and bee colonies—doubled.

During the August 1988 Plenum of the North Osetian oblast CPSU committee, held for the purpose of discussing the problems of the Food Program, a great amount of attention was given to the development of collective horticulture and gardening. The republic's Gosagroprom and rorrayispolkoms [municipal rayon executive committees] were tasked in 1988 with satisfying completely the requirements of citizens for allocations of plots of land and also for supplying them with garden buildings and construction materials.

In conformity with the program for the placement of new associations, the North Osetian branch of the Giprozem Institute is preparing plans for the organizational structure of horticultural cooperatives, the placement in them of public buildings (administration, warehouses and others) and for the installation of lines of communication.

Two difficult problems associated with the operation of garden plots are the availability of bricks and construction services. The program planned for the modernization and creation of new capabilities for brick production will make it possible to solve the problem of supplying bricks for the erection of buildings on plots in 1989 and 1990.

Orchard workers and gardeners are receiving a great amount of assistance from cooperatives having the following operational orientation: planning of buildings, production of units made using porous clay filler and slag, production of carpentry products, the construction and repair of small buildings and the provision of public services for garden plots and associations. Thirteen such cooperatives are already in operation and a number of new ones are being created.

The plan for the development of the city of Ordzhonikidze calls for the removal of many plots of the "Sputnik" Association, as mentioned with bitterness in the publication. Some of them have already been eliminated. The

Ordzhonikidze Municipal Executive Committee had to take into account public opinion, which was opposed to the elimination of the gardens. Their destruction was halted.

The requests of the horticultural associations for planting stock for stone fruit and pip fruit crops and strawberries are being satisfied. The planting stock for European black currants and raspberries, which were started at fruit nursery farms of the autonomous republic's Gosagroprom [State Agro-Industrial Committee] in 1987-1988, will be available for sale to gardeners in 1989. Mineral fertilizer is being made available to the associations in the required amounts.

Measures are being undertaken to regulate the purchases of surplus fruit and vegetable products and to ensure their inclusion in the food resources. The plans call for the construction of two new stores on the territory of associations, in which the products turned over by gardeners will be accepted and sold to the population. They will sell implements, fertilizer and other goods to the gardeners. In addition, the autonomous republic's Gosagroprom is selling two trucks and other items of equipment and materials, in conformity with the requests received, to the Voluntary Society of Gardeners in the North Osetian ASSR.

With regard to the salaries being paid to staff workers of the republic's DOS, the reductions of which were mentioned in the material entitled "Experience—In Retail and Wholesale," we should note here that they were established in accordance with recommendations and data supplied by RSFSR Goskomtrud [State Committee for Labor], as requested by the autonomous republic's Ministry of Finances.

In September of last year, an exhibit of the products produced by the republic's horticultural associations was held in the city of Ordzhonikidze. Their achievements clearly reveal that collective horticulture and gardening are making a notable contribution towards the carrying out of the republic's Food Program and thus fixed attention should be given to their further development.

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#### **Kolkhoz Chairman Argues for Farm Autonomy in Production**

18240061 Moscow PRAVDA in Russian 28 Jan 89 p 2

[Interview with I. Kopichan, chairman of the Druzhba Kolkhoz, by N. Mironov, Dnepropetrovsk Oblast: "To Get Away From 'Requisitioning of Grain by Force'"; date, place, and occasion not given; first paragraph is PRAVDA introduction; passages in boldface as published]

[Text] Circumstances forced us to hold this interview. PRAVDA's press center received several telephone calls in succession from farm managers: "Will the practice of

requisitioning of grain by force really be repeated this year as well?" What is the matter? I decided to clarify this from I. Kopichan, chairman of the Druzhba Kolkhoz, who is well known in the oblast. He has headed the farm for more than 17 years, making it into one of the advanced farms.

[N. Mironov] Ivan Vasilyevich, why such an alarm on the part of farm managers?

[I. Kopichan] You see, the peasant believes in actions, not in words and promises. But they, actions, put many people on guard.

[N. Mironov] What do you have in mind?

[I. Kopichan] The situation with grain procurements. It was very difficult during the last harvest campaign. There was the same pressure from above: [Fulfill] the plan at any price and, if you have a higher yield, also bring the excess to the receiving center. You had a good crop, but others did not.

[N. Mironov] But, after all, the conditions were different: Some places were wet and some, dry. Help was really needed.

[I. Kopichan] We understand all this. It is a matter of something else—how to give it. By the old method, that is, a summons to the raykom or obkom, or by means of economic levers? As before, there is no willingness to take the economy into account.

[N. Mironov] In what was this manifested specifically?

[I. Kopichan] For example, we sold 3,100 tons of grain. In order to fulfill the plan, it was necessary to deliver, in addition, almost the same amount. We tried to resist: We cannot, only one-half of the fodder will remain on the farm. But we argued in vain—they got what they wanted. A normal livestock feeding requires 2,000 tons of corn grain. We would have produced 400 tons of pork—a net income of 400,000 rubles! But because we sold these 2,000 tons of grain to the state, we obtained 240,000 rubles. Consequently, the kolkhoz lost 160,000.

[N. Mironov] Excuse me, but you are only concerned about your farm's interests. However, there are state interests.

[I. Kopichan] Do they really conflict with ours? Let us take the same case. This was fodder grain. Naturally, the state sold it to other farms. But on our farm the expenditure of grain, as, in general, of feed, per quintal of weight gain is one-third lower than, on the average, in the oblast. So, having fed it, those farms will also produce one-third less pork. The result: The state failed to obtain 130 tons of meat. It lost 260,000 rubles—much more than the kolkhoz. And what about expenditures on distant shipments, instead of making do only with shipments of the final product—meat? Incidentally, their weight is fivefold lower.

[N. Mironov] Yes, the accounting is impressive.

[I. Kopichan] Not accounting. Here are the foundations for economic development and the solution of the food problem. Managerial and procurement organizations do not want to see this. They are occupied with one thing—they improve the pumping out mechanism. Farms have also fallen under this "pump" now.

[N. Mironov] It seems that rural managers have good reason to be alarmed.

[I. Kopichan] You can say that again. In our country the entire situation with fodder grain is upside down. For example, let us take our kolkhoz. We buy more than 1,000 tons of mixed feed. Owing to the fact that grain is processed into mixed feed, it gives a big effect on farms. If the quality of mixed feed is excellent, one-fourth of it is saved. That is, the mixed feed industry helps us to save 250 tons of grain. A gain? However, 1,000 tons of grain for this mixed feed travel from the kolkhoz to the elevator-plant and back. We are forced to transport it during the harvest campaign. We divert trucks and, owing to their shortage, combines are idle in the field. Harvesting drags out. Grain crops are left standing too long. There are losses. There are norms of losses according to periods. Both science and practice established them a long time ago. So, only owing to the shipment of these 1,000 tons, which drags out harvesting, we lose 400 tons of grain in the field. Let us sum up: We saved 250 tons and lost 400.

[N. Mironov] What turns out? The entire effect of the work of the mixed feed industry is canceled and, in addition, 150 tons of grain are lost?

[I. Kopichan] This is the point. I have heard that in the country every ton of grain travels 1,114 km. More than 20 million tons are transported. Owing to this, about 8 million tons of grain are lost in the field. All the expenditures, losses en route and during unnecessary loading and unloading operations, and miscalculations of farms are only the top of the iceberg. The chief thing is in the underwater part of the iceberg—the procurement system. It is ruining the rural economy. And our respectable economic scientists do not want to understand this. Moreover, in my opinion, Union and republic gosagroproms have not gone into the heart of the matter. The present procurement system causes not only losses. Often it also leads to economic paradoxes.

[N. Mironov] To what kind precisely?

[I. Kopichan] During the years of my chairmanship I got into the situation of a "person who has lost all his possessions in a fire" three times. And during those years... we improved our financial position. An absurdity? Don't be surprised. We improved it not at the expense of others. Simply, we were exempt from plans for the sale of grain to the state. The one-half of the harvest that we gathered during those disastrous years



was sufficient for everything—for fodder, for seeds, and for wages. Now we have a good harvest. We fulfilled the grain production plan, but were unable to fulfill the volumes of sale, which were established, frankly speaking, above, without damage to the economy and the state. But we were forced. And we, with our own hands, did damage both to the state and to the kolkhoz.

**[N. Mironov] What are we to do? What is the way out of this complicated situation? After all, our entire agriculture got into it?**

**[I. Kopichan]** First of all, we should honestly admit the harmfulness of the present system of procurement of grain and its processing into mixed feed. We should change over to a calculation based on final efficiency and completely revise the plans for purchases of grain and its sale by farms.

**[N. Mironov] Why do you constantly talk about the plan? Today there is a state order, not a plan.**

**[I. Kopichan]** If there had been a state order, this interview would not have taken place. There is no state order, there is a directive—a desire to get hold of something by any means.

Look what a distortion results. We sell choice wheat at 9.4 rubles per quintal. We buy so-called mixed feed, in which grain is often mixed with salt and clay, at 18 to 20 rubles. Is this fair? After all, we can prepare feed ourselves. But the grain products firm does not like this. It terrorizes us for this. For example, we deliver grain to them. We put down: "packaging materials," "gross," and "net." We state the data of our analyzes. We have not a bad laboratory. But our weight is not accepted there. Their laboratory puts down what it wants. And their indicators, not ours, are accepted above! Do you know what a burden this places on the kolkhoz? Oho! If this laboratory were nondepartmental...

There is a similar situation with Agropromkimiya. It sends us fertilizers. But what is their phosphorus or nitrogen content? The one that they will write. However, as practice shows, it is far from the truth. And what about the raysnab [rayon supply office]? It brings inferior gasoline. Tanks rust inside from it. Try to make complaints and tomorrow you will be left without any gasoline. But we pay fully. The market should be honest. But for now the collective farm is in no way protected against state representatives and there can be no talk of independence.

**[N. Mironov] Let us go back to the system of sale of grain to the state. According to what principle, do you think, should it be revised?**

**[I. Kopichan]** I have already answered. We should proceed from final efficiency. In this case it is time to finally understand the difference between fodder and food grain. Fodder grain is only a raw material for the

production of milk, meat, eggs, and wool. For example, if we want to have more meat, for this ultimate aim an order for the raw material should be given. We should not scatter this raw material all over the wide world, often sending it where it will give much less meat than on the farm where it is grown. Well-founded cost accounting is needed here, I will stress again, according to the final result.

I will explain this, using my farm as an example. One can say that its structure is optimal. It has been determined by science. Both the herd and sown areas—everything is according to scientists' recommendations. According to these recommendations, we need no less than 6,000 tons of grain fodder for livestock. This is what we should proceed from. We annually produce 12,000 tons of grain with a yield of 33 to 35 quintals. One-half must be left for fodder, 1,000 tons, for seeds, and with due regard for 3 percent of waste—this is a fact, such is the quality of equipment—another 500. In order to have more meat from the individual sector, it is necessary to give 1 kg per earned ruble to kolkhoz members. Another 1,000 tons. The total is 8,500 tons. Consequently, the state, if it does not want to ruin the kolkhoz and to lead to a meat shortage and extra expenditures, should leave this grain on the farm. In fact, an order must have a strictly scientific normative basis, which takes all factors into account.

**[N. Mironov] However, it is already 3 years since normative planning has been envisaged by directive documents.**

**[I. Kopichan]** Yes. But plans are made without any substantiation.

**[N. Mironov] How to avoid this?**

**[I. Kopichan]** To place three barriers. First—to form an order only below. Second—to call to account for damage to the farm and the state. Third—to refine normatives. Here the final word rests with science.

**[N. Mironov] So far you have been talking about planning and distributing what has already been grown. Is it not better to approach this from the position of an increase in grain production? Then everything will stand in place by itself.**

**[I. Kopichan]** In order to increase production and to raise the yield, it is necessary to have resources. If an order is increased for an industrial enterprise, raw materials, power, and so forth are allocated for it. It is well known that nothing will come out of nothing. Norms of resources also exist in agriculture. For example, how much fertilizer is needed to grow 1 ton of grain and how much feed, electric power, building materials, and so forth are needed to keep one cow. However, I do not receive a single sheet of slate or kilogram of metal in a planned manner. It reached the point where there was no fuel in September-October. Transport was idle. Who calculates the losses? Sugar beets not harvested on time lose 20 percent of their weight and 30 percent of their quality. Sunflower seeds and corn not harvested on time, among other things, require additional drying and this results in fuel losses. And what about the fact that a machine operator is deprived of a job and earnings

during the busy season? That we are tired of mismanagement—crops perish while standing, and he, having a machine, cannot harvest them on time? That, owing to this, people run away from the village?

I think that, as soon as the state gives an order, let it also provide it with resources.

[N. Mironov] **This matter troubles many people.**

[I. Kopichan] You can say that again. The Niva combine is designed for a harvest of 25 quintals. Today the kolkhoz grows up to 50 or 60 quintals on many fields. Of course, we lose a part. We constantly go from one extreme to another. Give us irrigation, give us herbicides. We have neglected agrotechnology. First of all, it is necessary to clear the field of weeds and to carry out all operations at the optimal time. How much produce we will obtain! But equipment is not good at all. And what is needed cannot be obtained. We cannot even buy rubber nearby, although there is the Dneproshina Association. We ended last year not badly. After the fulfillment of the state order it was fully possible to sell 100 tons of meat and 200 to 300 tons of milk. I would find an organization that produces the materials we need. For example, the Karl Libknekht Plant could sell 150 tons of pipes for the installation of gas facilities in rural areas. We would sell them meat for the workers' restaurant and they would sell us pipes. There is a mutual desire. Seemingly, countertrade is not prohibited either. But try to buy!

[N. Mironov] **Why?**

[I. Kopichan] The oblast, they say, has been transferred to self-provision and it will have nothing to maneuver with if meat is sold on the side. Well, let them calculate the figure if they need it so much. But if we do not have the right to handle what we produce at our discretion, then, excuse me, the talk about independence will turn into chatter. As before, everything is handled above. The results of "centromania" are visible at every step. This is carried to the point of absurdity. There is a cheese plant in our rayon. We churn butter and transport it to the base in Dnepropetrovsk. The truck of consumer cooperatives follows immediately. We take butter from there and bring it back for sale to the population. Why can it not be left at our place if the appropriate resources for sale are allocated? Or one day a session of the rayon soviet decided to sell above-plan milk at the rayon center. It was processed at our cheese plant. A ban. Here is freedom of management for you.

[N. Mironov] **In brief, wherever you look there is the former centromania?**

[I. Kopichan] Yes. As long as it is not eradicated completely, there will be neither sufficient meat, nor milk, no other products on counters. I believe that, first of all, it is necessary to revise the planning, procurement, and supply system and to finally get away from requisitioning of grain by force.

## REGIONAL DEVELOPMENT

### Importance of Private Agricultural Production in North Caucasus

18240095 Krasnodar SELSKIYE ZORI in Russian  
No 12, Dec 88 pp 42-43

[Article by V. Makeyev, agronomist: "An Important Element of the Agrarian Sector"]

[Text] In carrying out the Food Program, a considerable role will be played by operational improvements directed towards developing the base for subsidiary farms of organizations and industrial enterprises and increasing the production volumes and purchases of agricultural products from the population.

Various approaches are being employed for solving these problems in the North Caucasus. For example, the situation with regard to purchases of livestock and poultry from the population by procurement organizations and through kolkhozes and sovkhozes is shown in Table 1.

**Table 1. Livestock and Poultry Purchases From the Population**

| Kray, Oblast, ASSR       | Total Procured<br>(live weight in<br>thousands of tons) |       | Proportion of<br>Overall Procurement<br>Volumes, in % |      |
|--------------------------|---|-------|---|------|
|                          | 1986  | 1987  | 1986  | 1987 |
| Krasnodar Kray           | 16.5  | 29.7  | 2.9   | 4.9  |
| Stavropol Kray           | 13.0  | 42.7  | 4.0   | 11.3 |
| Rostov Oblast            | 22.4  | 53.6  | 5.8   | 13.8 |
| Dagestan ASSR            | 9.0   | 8.4   | 12.2  | 10.7 |
| Kabardino-Balkar<br>ASSR | 1.0   | 2.7   | 2.2   | 5.6  |
| North Ossetian ASSR      | 1.0   | 1.1   | 2.9   | 3.0  |
| Checheno-Ingush<br>ASSR  | 4.0   | 4.2   | 9.2   | 9.4  |
| Total for the zone       | 66.9  | 142.4 | 4.5   | 9.0  |

During 1987, meat purchases from the population for the zone increased by a factor of 2.1, in Stavropol Kray—by a factor of 3.3, and in Rostov Oblast and the Kabardino-Balkar ASSR—by twofold. This testifies to the fact that recently greater attention has been given to such purchases in the various areas. However, their proportion with regard to overall purchases indicates that there is still considerable unused potential. Why is it that in Krasnodar Kray only 4.9 percent of the meat is purchased from the population, while in Stavropol Kray—11.3, and in Rostov Oblast—13.3? And indeed more favorable conditions are available for this in the Kuban region.

The results with regard to milk purchases also underscore the availability of reserves, operational shortcomings and the attitudes of local organs towards correcting the situation: (see Table 2)

**Table 2. Milk Purchases From the Population**

| Kray, Oblast,<br>ASSR    | Total Purchased,<br>in tons |       | Purchased<br>Per Cow,<br>in kilograms |      |      |
|--------------------------|-----------------------------|-------|---------------------------------------|------|------|
|                          | 1986                        | 1987  | 1985                                  | 1986 | 1987 |
| Krasnodar Kray           | 49.0                        | 49.4  | 412                                   | 488  | 532  |
| Stavropol Kray           | 18.8                        | 29.9  | 156                                   | 169  | 271  |
| Rostov Oblast            | 89.4                        | 97.3  | 675                                   | 681  | 773  |
| Dagestan ASSR            | 5.0                         | 7.4   | 42                                    | 29   | 43   |
| Kabardino-Balkar<br>ASSR | 7.1                         | 8.2   | 166                                   | 172  | 191  |
| North Osetian ASSR       | 4.3                         | 5.1   | 202                                   | 129  | 157  |
| Checheno-Ingush<br>ASSR  | 7.1                         | 9.9   | 122                                   | 102  | 140  |
| Total for the zone       | 180.7                       | 207.2 | 270                                   | 274  | 320  |

Milk purchases in the zone have increased by 15 percent, in Stavropol Kray—by 59, in Rostov Oblast—by 8, and in Krasnodar Kray these purchases have remained at the 1986 level. In the Don and Kuban regions, these figures were greater and in the autonomous republics they were considerably less than the zonal average.

Thus, despite almost identical soil and weather conditions, the difference in indicators is tremendous. In other words, each region possesses the potential needed for increasing the production and purchasing of products. For example, it is estimated that the true resources for purchases in the private sector in Stavropol Kray amount to 162,000 tons for milk alone and for meat—62,000 tons. The procurements for these products amount to only one fifth and one third respectively of the above figures and the situation is no better for purchases of vegetables, potatoes, fruit and berries.

Use is being made throughout the kray of the experience accumulated in Ipatovskiy and Blagodarnenskiy rayons, where unified plans are being established for procurements both from farms and private plots and this is increasing the responsibility of kolkhozes and sovkhoses for ensuring that the population is supplied with young livestock and poultry and also forage. As a result, milk procurements in these rayons increased by 11 and 8 percent over a period of 7 months, and meat—by 21 and 8 percent. Obviously, such a system does not signify a reduction in the role being played by consumer cooperation in purchasing products from private plots.

In the Kuban, during the first 6 months of this year, consumer purchased from the population and credited towards fulfillment of the plan for kolkhozes and sovkhoses 8,700 tons of livestock and poultry and 3,900

tons of milk—these figures are greater by factors of 2.1 and 1.4 respectively than those for the same period of 1987. Many examples of the skilful use of the potential of private plots can be found in the Don region. At the same time, over the past 3 years the rates for the development of livestock husbandry on private plots throughout the oblast have been declining noticeably. Thus, compared to 1983, the number of cattle declined by 6,100 head (3.6 percent), including cows—by 8,900 (6.5 percent), and the number of hogs—by 79,600 (by 29 percent). This is occurring mainly as a result of non-fulfillment by the leaders of kolkhozes, sovkhoses and other farms of the tasks for selling young cattle, hogs and poultry to the population and for making pastures and haying lands available for their use. The plans for the sale of young pigs have not been fulfilled since 1984. Last year, 534,500 were sold against a plan which called for the sale of 635,500 head.

A random check of 159 kolkhozes and sovkhoses in 21 rural rayons established the fact that a considerable number of rural residents generally do not have livestock. Thus, of the 101,788 private plots checked, 28,580 (28 percent) were not maintaining any livestock and in Bagayevskiy, Ust-Donetskiy, Myasnikovskiy, Aksayskiy, Kasharskiy, Neklinovskiy and Azovskiy rayons the percentage of such plots ranged from 34 to 54 percent. There were 66,920 plots (65 percent) which had no cows, and 46,449 (46 Percent)—no hogs. And among the owners of these plots were some chief specialists from farms in Azovskiy, Aksayskiy and other rayons.

In the North Osetian ASSR, 39 percent of the meat, 42 percent of the milk, 48 percent of the eggs, 35 percent of the potatoes and 16 percent of the vegetables are produced on private plots. This contribution towards solving the food problem could be greater, however 40 percent of the rural plots in the autonomous republic are not maintaining cattle. Many refer to a shortage of feed and at the Kolkhoz imeni Karl Marx in Kirovskiy Rayon, each one hundredth of a hectare of forage land has a master. Here each plot is allocated a ton of hay, one and a half tons of silage and 6 quintals of grain forage. This is sufficient for allowing each family to have a cow, hog and a sheep and for being able to sell to the farm 3 quintals of meat, 2 quintals of milk and 13 kilograms of wool. And all of this amounts to almost one third of the kolkhoz's marketable output.

In Zolskiy Rayon in the Kabardino-Balkar ASSR, more than 15,700 head of cattle, including 7,300 cows and also 27,000 sheep and large numbers of poultry, goats and rabbits are being maintained on private plots. Prior to September, the rayon's private plots sold to the state more than 1,260 tons of milk, approximately 900 tons of meat (in live weight), 90 tons of wool, more than 3,000 tons of fruit, almost 2,000 tons of vegetables and more than 2 million eggs.

In the zone's rayons, despite a shortage of concentrated feed for sale to the population, there were incidents of some consumer societies using such feed for purposes other than originally intended. Thus, in 1986 the Bagayevskiy Raypo [rayon consumers' society] obtained 102.6 tons of mixed feed, of which amount only 51 tons were sold to the population. The remaining amount of forage was used in the internal economy.



Much is being done in connection with the development of collective horticulture and gardening. At the present time, the requirements of citizens in the Kuban region for garden plots are being satisfied completely. In the Dagestan ASSR, approximately 2,000 hectares were recently allocated for this purpose. In the Don region, 9,200 hectares have been set aside for orchards and more than 11,000 hectares for gardens since the beginning of the five-year plan. This work has been carried out very well in the cities of Azov, Bataysk and Volgodonsk and in Krasnosulinskiy Rayon, where all of the areas allocated for this purpose have for the most part been developed. However, throughout the oblast as a whole the development of these areas is still being carried out slowly.

Collective orchards and gardens in Stavropol Kray, in the Checheno-Ingush and Kabardino-Balkar ASSR's and in other regions are proving to be a great help to the workers. In the North Osetian ASSR, 22,000 families are obtaining 5,600 tons of fruit, 3,000 tons of berries and many vegetables from 1,100 hectares of orchards and gardens.

In the North Caucasus, subsidiary farms of industrial enterprises, organizations and institutions are being further developed with each passing year. In the Dagestan ASSR, the following plants are devoting special attention to their agricultural departments: Derbent Canning, "Dagelektromash," "Dagdizel," Kizlyar Electromechanical and others. At the latter plant, 42 kilograms of meat and 28 kilograms of vegetables are being produced annually per worker. Last year 1,600 tons of meat, 1,300 tons of milk and 2,300 tons of fruit and vegetables were produced here.

Workers at the Erken-Shakharskiy Sugar Plant in the Karachayevo-Cherkessk Autonomous Oblast are satisfied with the work of their subsidiary farm. Last year 163.6 kilograms of meat and 77.6 kilograms of milk were produced for each one of them. Fifty nine kilograms of meat per worker were produced at the Karachayevsk Mining Administration. The subsidiary farm of the Karachayevo-Cherkessk Cement Plant supplied 18 kilograms of meat per worker and also 2 tons of honey last year. Hothouses occupy 2,500 square meters of space on this farm. Before long it will have its own fish—4.5 hectares of ponds have been stocked with fingerlings.

Last year the subsidiary farms in the Don region produced 28,700 tons of meat, 18,700 tons of milk, 10.5 million eggs and 28,600 tons of vegetables. Here they are obtaining almost two thirds of the hotbed-hothouse vegetables and one out of every 12 kilograms of meat being produced in the oblast.

The subsidiary farm of the Novocherkassk Electric Locomotive Construction Plant, which has 600 hectares of agricultural land at its disposal, is fattening 400 head of cattle and 2,000 hogs and has 70,000 poultry, including 5,000 laying hens. Last year the farm's sales volume

amounted to 70,000 rubles. At the Rostov Helicopter Production Association, almost 22 kilograms of meat and 16 kilograms of vegetables are being produced per worker.

Fine indicators are also being achieved by the Luch Sovkhoz of the Azov Optical-Mechanical Plant, the Novocherkassk Sovkhoz of the Public Catering Administration of the oblast executive committee, the Sulinskiy Sovkhoz of the Rostovugol URS [Administration of Workers' Supply] and by the subsidiary farms of agro-industrial associations in Orlovskiy, Peschanokopskiy and Salskiy rayons in Rostov Oblast.

At the same time, many of the subsidiary farms of cities and oblast departments here are not coping with their meat production tasks. In particular, poor work was performed in 1987 by the subsidiary farms of the cities of Taganrog, Rostov-na-Donu and Volgodonsk and by agro-industrial associations in Sholokhovskiy, Tatsinskiy, Oblivskiy, Veselovskiy, Aksayskiy, Matveyevo-Kurganskiy, Rodionovo-Nesvetayskiy and Proletarskiy rayons.

Unfortunately, many subsidiary farms are not maintaining cattle or hogs and the overwhelming majority of them are not raising poultry. The principal reason—a lack of sufficient quantities of internally produced feed. In 1987, Rostov Oblast's feed requirements were satisfied by only 58 percent. This was explained mainly by a shortage of land areas suitable for the cultivation of forage crops. At the same time, the gathering up of waste food scraps has not been organized properly in the cities and settlements. Quite often the feed is fed to the livestock in unprepared form, feed preparation shops are not available in all of the areas and those which do exist are not operating on a regular basis.

Up until now there have been only rare instances of industrial enterprises organizing subsidiary farms on a share basis for the joint production of feed, vegetables, meat and milk and the fattening of hogs on waste food scraps.

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## POST-PROCUREMENT PROCESSING

### Mismanagement in Uzbek Fruit, Vegetable Industry

#### Expensive Produce in Marketplace

18240109 Tashkent SELSKAYA PRAVDA in Russian  
28 Jan 89 p 1

[Article by Yu. Bondarenko, UzTAG correspondent:  
"Everything Is Expensive in the Marketplace"]

[Text] Why? Because in state stores vegetables and fruits are found slightly more often than soft caviar in the snack bar of your organization. Although this shortage

can be explained—we do not live in Astrakhan. But, why is there a shortage, as the Gosagroprom expresses itself elegantly, of fruit and vegetable products in Uzbekistan?

Talk to any specialist from state, oblast, or any other agroprom and he will explain to you skillfully...

First, he will begin to bend his fingers: In the republic there is a shortage of premises for the storage of these delicate products. Even if we take into consideration that storage facilities for 59,000 tons were put into operation last year, their total capacity hardly exceeds 300,000 tons. This represents only about 60 percent of the need.

"Then pickle them," you will say. The professional, smiling subtly, shrugs his shoulders: "But our pickling capacities also represent one-half of the need."

This is said in such a way that one begins to feel that he is to blame for the shortage of refrigerators and barrels for pickled tomatoes.

Of course, we are far from professionals and are not aware of all the subtleties of this complicated matter. Therefore, how are we to understand why assignments for the storage of vegetables and fruits for winter are not fulfilled.

Are these plans really drawn up without any substantiation to such an extent that they do not take into account even one-half of the existing capabilities? For example, in Tashkent the stored fruits make up only 59.3 percent of the assignment, in the Fergana Oblast Agroprom, 56.1 percent, and in the Samarkand Oblast Agroprom even less, that is, 52.2 percent, although resources are available in a full volume.

Yes, there is still a shortage of storage capacities. However, even those available are used wretchedly. This was noted both by republic Gosagroprom commissions and by people's controllers. However, the Tashplodoovoshchprom Association, the Tashkent Agro-Firm, and the Samarkand Agro-Combine, as well as corresponding oblagroproms, simply ignored these remarks.

It turned out that facilities for the winter storage of vegetables and fruits were not prepared. For example, at the bases of Chilanzarskiy and Khamza wholesale and retail production combines the sealing of doors in refrigerating chambers was violated, so that temperature-moisture conditions were not observed.

Moreover, here, as at the bases of Bagishamalskaya and Siabskaya wholesale and retail offices, the rules of fruit and vegetable storage are violated grossly. In a translation into a language comprehensible to us this means that products requiring different storage conditions are shoved into one chamber. So that while some rot, others freeze—in an overall manner, so to speak.

You say: "There are no fruits." Under such conditions not only we, dilettantes, but also professionals are powerless. So, let us, as the saying goes, put ourselves in their position.

But, as a matter of fact, why should we "put ourselves in their position"? Ultimately, who is responsible for the preservation of vitamin products? Tens of thousands of people expended a lot of labor and time in order to grow and harvest them. Thousands of drivers drove hard heavy trucks on the roads in order to deliver them to refrigerators. But now 100 or 200 workers at wholesale and retail combines and offices are doing their utmost so that they do not reach our table.

What degree of irresponsibility must be reached in order to let rot vegetables and fruits worth 1,100,000 rubles? Yes, this is the sum of above-normative losses allowed by workers of three associations from Tashkent, Samarkand, and Fergana alone. These were not some expensive oranges, but products worth a few kopecks from local plantations. Imagine their volume if the sum reached over 1 million rubles.

In the meantime the professional bends the next finger: "Where to trade?" In fact, if we further observe the entire chain, we will understand that even a 100-percent availability of refrigerators and storage facilities will not enable us to feast on fruits and vegetables in winter to our hearts' content, because there is no place to sell them. There is a shortage of stores.

Only 556 stores of this specialization with a trade area of 31,000 square meters now operate in the republic's cities and settlements. This also represents one-third of the need. Three people push and shove where there is not even room for one person to move. But according to the republic government decision, 111 stores for the sale of fruits and vegetables were supposed to be built last year alone.

A question that is meant to flunk you: Was this decision fulfilled? You guessed: Of course, not! Only 14 stores were built last year, including 4 in Tashkent.

Nevertheless, what is the point? To be sure, the point is that workers at wholesale and retail combines are not interested in the final result of their work. There is only one way out—to put economic levers into operation, since the reform taking place in the country openly directs everyone toward this.

Everyone, but not officials, who are concerned more about a peaceful life than work. For example, workers at the Kuybyshevskiy Wholesale and Retail Production Combine in the city of Tashkent decided to take a lease on their enterprise. The oblast agroprom seemingly met them halfway. At least the order for this was signed, but... F. Timofeyeva, chief of the Tashplodoovoshchprom Association, opposed this. Under her energetic

pressure oblast agroprom workers also began to hesitate, so that workers at the Kuybyshevskiy Wholesale and Retail Production Combine now work, but do not know under what conditions.

This combine, the first to change over to the collective contract, also pointed the way to others. For the first time last year it at least fulfilled all the plans and obtained profit, although it was unprofitable from the day of organization. The chief thing is that losses of products were reduced there to a minimum. Please recall that throughout the association during 3 quarters of last year alone fruits and vegetables worth 646,000 rubles were lost.

It would seem, let the enterprise be leased—people demonstrated that they can work independently. No, officials have another logic. But then I understand them. If everything is leased, people will ask: What are you for?

In general, everything is still unchanged. So, the old anecdote is also relevant today. Remember—the housewife entertains her guests and keeps saying: "Eat, my dear guests. In the marketplace everything is so expensive..."

#### Follow-Up Commentary

18240109 Tashkent SELSKAYA PRAVDA in Russian  
16 Feb 89 p 2

[Item by UzTAG: "Prices in the Marketplace Keep Rising"]

[Text] The answer by F. Timofeyeva, general director of the Tashplodoovoshchprom Association, to an article by Yu. Bondarenko, UzTAG correspondent, published by the newspapers PRAVDA VOSTOKA and SELSKAYA PRAVDA on 28 January of this year, can be called not a denial, but rather a cry of the soul.

We would like to remind the reader that the article discussed the unsatisfactory supply of vegetables and fruits for city residents at state prices. As a result, workers, employees, students, and pensioners are forced to overpay in the marketplace for products, whose abundance in Uzbekistan is predetermined by nature itself.

As F. Timofeyeva notes, the article "raises a very important, one can say, a painful question." And how! After all, one can say that the author, as a city dweller, himself experienced through suffering the written lines. A significant part of his wages is also spent in the marketplace.

Confirming the indicated conclusion, the general director cites in her answer the following figures for the fruit and vegetable products procured for this winter: The amount of stored vegetables was 4,800 tons lower than the established plan, of potatoes, 20,300 tons, and of fruits, 3,400 tons.

F. Timofeyeva puts part of the blame for the created situation on the staff headed by her, which, we would like to stress, was established especially for supply for city dwellers. She admits "their sluggishness and lack of initiative and enterprise."

However, in the next phrase she states that "the root of the evil does not lie only in this." As is clarified further, farm managers "began to have a scornful attitude toward the fulfillment of contractual obligations." Here are figures: From Tashkent Oblast alone 4,400 tons of fruits, the same amount of grapes, and 1,800 tons of melons were not delivered to the tables of city dwellers. A significant amount of cabbage, cucumbers, and potatoes was also "underdelivered."

But, in fact, all this would help to bring down the prices in the marketplace and to significantly ease the life of people, especially, from low-paid families. But, excuse me, who if not the association workers should have sought the fulfillment of contracts on the part of kolkhozes and sovkhoses? This is their duty and certain rights have been given to them for this.

However, we will not blame procurement officials for everything. We acknowledge one indisputable truth. Existing purchase prices do not satisfy producers. Now, having received permission to sell at contract prices on the market, crediting 30 percent of the produced products toward the plan, kolkhozes and sovkhoses aim at a profit. It would be wrong to blame them for this. Their managers should be primarily concerned about the interests of their collectives. One does not have to guess where it is more profitable to sell, for example, early cabbage—in Tashkent or in Novosibirsk.

Specialists should seek the way out of this situation. Perhaps, before the price reform, sanctions for the non-fulfillment of contracts should be made stricter. After all, present fines are so paltry that the profit obtained from the sale of products on the market more than exceeds them.

The quality of procured products is an important matter. In the expression of the general director, "they do not stand up to any criticism." She cites the following facts: Last year potatoes worth 3.2 million rubles were received from Chuvash. Potatoes worth 500,000 rubles were rejected.

Suburban farms have exactly the same attitude. Recently, the Progress Sovkhoz released apples to trade organizations in Akmal-Ikramovskiy Rayon. A total of 26 percent of them were nonstandard and another 10 percent, "absolutely rotten."

It seems that this is a fact of the same rank. Where do first-grade fruits and vegetables go? Of course, to the market. Otherwise, no one will buy them there. And the

remainders, to the state trade-purchase network. So, having squeamishly rummaged among "store" products, we have to go to the marketplace.

However, the trouble lies not only in this. The trouble is that even good products are left "to rot" at our bases and marts. The association's general director was forced to admit this.

"The article," she writes, "quite correctly notes the facts of the grossest violations of rules concerning the storage of fruit and vegetable products committed during the laying in period... The measures taken rectified... the situation."

Well, how they rectified it we will find out only in the fall. The editorial department promises to return to this subject during the next vegetable and fruit storage season. We will keep this matter under control.

However, on the following we are forced to disagree with the general director: In our opinion, the problems of transferring wholesale and retail fruit and vegetable combines to economic methods of work are being solved slowly at the association. Yet, undoubtedly, this is one of the most important ways of increasing trade efficiency and improving the supply of agricultural products for city dwellers.

The practical experience, even if small at present, of the Kuybyshevskiy Wholesale and Retail Production Combine also attests to this, although we admit that some figures and conclusions cited in the article proved to be erroneous. The author was misled by D. Abdusalyamov, director of the wholesale and retail production combine. Nevertheless, the search of this collective deserves support.

## LIVESTOCK AND FEED PROCUREMENT

### Livestock Feed Availability Problems in Uzbekistan

#### Problems in Meat Production Described

18240125 Tashkent SELSKAYA PRAVDA in Russian  
29 Jan 89 p 2

[Article by Yu. Bondarenko: "Unwilling Vegetarians"]

[Text] No matter how some physiologists try to convince us that meat is harmful, there are not that many active followers of Lev Nikolayevich Tolstoy. Most of us, used to modest food, are not convinced that the genius of the great writer is the result of a vegetarian diet.

We would not doubt that the voice of the scientist was the "voice of one crying in the wilderness" except for the fact that coming to his aid are...livestock farmers. Livestock farmers liked the recommendations of dieticians and evidently concerned about our health they decided to make us all vegetarians.

We do not have to go far to find proof. As reported recently in the weekly ARGUMENTY I FAKTY, last year average per capita meat consumption in Uzbekistan reached an unimaginable figure of 29 kilograms. This is over two times less than the average for the country.

Yet we have a special organization—the republic production association, Myaso, which is called upon to concern itself with satisfying our need for "the most valuable food products."

In general, Myaso [meat] exists, but the meat does not. That is the amazing paradox.

But why should we be surprised, if...Incidentally, so many of these "ifs" have accumulated that when an ill-informed person has even a fleeting acquaintance with them his head begins to spin.

I feel that the truism that "in order to have meat, we must, at the least, have livestock" does not require special proof. This is an axiom. It is an axiom to us but not to the functionaries from the Surkhan-Darya, Syr-Darya and Samarkand oblast agroproms [agroindustrial committees] which, using bureaucratese, are "dealing poorly with the problems related to equipping complexes for the production of beef using industrial herds."

Simply stated, fewer animals are being fattened than planned. Last year, for example, in Syr-Darya Oblast 1,993 fewer head were fattened, in Surkhan-Darya—2,772 fewer, and in Samarkand—2,919 fewer. According to the most modest calculations the residents of these oblasts will have 3,500 tons less beef on their tables. What kind of beefsteaks can we talk about here!

Yet according to Goskomstat [State Statistics Committee] reports the herd of cattle is constantly increasing in the republic. But is there much benefit for us in this? It appears that an increase in the size of the herd has become an aim in itself for livestock farmers. And this even with our, honestly speaking, sparse feed resources.

Incidentally, a word about feed. Evidently the figure of 3,500 tons of meat not delivered to the republic is an inflated one. Because even if you put all of the herd planned for the complexes into stalls you will not have much meat. In order to develop a conditioned weight you have to feed the young bulls. The workers of the association are extremely dissatisfied about this with regard to the operations of the enterprises of Minkhle-boprodukt [Ministry of Grain Products], which, it appears, do not supply the needed amount of concentrates.



At the same time the association does not give enough attention to the development of its own feed base. In order not to keep livestock on starvation rations the association's enterprises need no fewer than 65,000 hectares of irrigated land, whereas only 39,000 exist.

Understanding this, over 3 years ago the republic's government ordered livestock-raising complexes to assimilate over 21,500 hectares during the five-year plan. This decision should have added another approximately 10,000 hectares to enterprises. The five-year plan has already passed the halfway mark, but only 1,618 hectares have been worked. This is 8 (!) percent of the assignment. The addition of land simply has not taken place during these years.

Of course it is much easier to complain about the shortage of mixed feed than to work. But isn't it time for the workers of the association to dry their tears, roll up their sleeves and go to work?

Especially since the land they do have does not give a large return. Last year the enterprises of the association as a whole produced only 5.1 tons of feed units per irrigated hectare. This is significantly less than the republic average. In Zarbdar and imeni 25 Partsyed industrial complexes of Syr-Darye Oblast it is even smaller—3.6 tons.

Incidentally, the absolute "record" is held by feed producers in Kara-Kalpak Oblast. Here in industrial complexes imeni 20 Syezd Kompatrii Uzbekistana and Gigant the workers contrived, there is no better word, to gather no more than 3 tons of feed units per hectare. Moreover, the alfalfa hay content in feed continues to be low. This high-protein crop has been sown on only half of the assimilated land. Yet the productivity of alfalfa does not exceed 75 quintals (in terms of dry hay). It is clear that under such circumstances we can only dream about an abundance of meat and meat products. After all, no matter how you look at it, low daily weight gains in livestock are the result of a shortage of feed. In Zarbdar Industrial Complex, for example, it does not reach even 400 grams, which is almost 250 grams less than the plan. This is the situation in all of the association's complexes without exception. Even in the well-known Kattakurgan Industrial Complex of Samarkand Oblast daily weight gain has reached only 650 grams.

All of these shortcomings have not allowed us to bring fattening complexes to the quota mark. And today many of them are working only at half their established capacity.

We can see this especially clearly in the example of Sergeli Hog-Raising Complex, which for 11 years now has not been able to reach plan capacity. Last year in comparison to the preceding year hog production even decreased, as a result of which the people of Tashkent did not receive over 760 tons of meat.

### Follow-Up Commentary

18240125 Tashkent SELSKAYA PRAVDA in Russian  
12 Mar 89 p 2

[Commentary by Sh. Babamuradov, First Deputy Chairman of the Surkhan-Darye Oblast Agroprom, on above article: "Unwilling Vegetarians"]

[Text] "Unwilling Vegetarians" was the title of an article published by UzTAG [Uzbek News Agency] correspondent Yu. Bondarenko in SELSKAYA PRAVDA on 29 January of this year. The subject under discussion was the constant meat shortage in the republic.

The editors received a response from Sh. Babamuradov, First Deputy Chairman of the Surkhan-Darye Oblast Agroprom. He reports that the facts presented in the article are true. Oblast enterprises really did not supply 2,776 head of cattle for fattening to Sovkhoz-Industrial Complex imeni 50-Letiye SSSR.

It is true that in striving to somehow vindicate the enterprises that belong to the oblast agroprom, Comrade Babamuradov explains the situation that has developed by the fact that the Myaso RPO [Republic production association], which is "a long distance from the industrial complex, did not provide it with enough help in obtaining the necessary quantities of concentrated feeds and husks."

This resulted in the fact that in recent years "average daily weight gain in cattle did not exceed 420 grams instead of the 600-800 grams planned." Low productivity results in turn "in an enormous retention of livestock at the base. Instead of 15 months animals are held over for 24 months and more."

The retention of the livestock does not allow the industrial complex "to accept the planned number of animals from enterprises." As of 1 January of this year in an industrial complex with a capacity of 10,000 head for simultaneous upkeep actually 9,370 were being fattened, i.e. it was practically fully occupied. The industrial complex refused to accept the remaining 2,776 head "due to the absence of free places. The oblast agroprom took this problem under strict control."

Control—this, of course, is good. This never interferes. But the response of Comrade Babamuradov brings up several thoughts. And here two questions arise.

The first question is this. In the final analysis no resident of Sur-Darya Oblast really cares what the reasons—objective or subjective—were for the fact that he does not eat enough meat. He does not care if it is the fault of Tashkent's Myaso Association or Termez's oblast agroprom. Honestly speaking, in the oblast there are dozens of enterprises subordinated to oblast agroprom that produce and submit meat. Where is this meat going?



Here is the second question. The fact of the undersupply of concentrated feeds speaks once again of the fact that no administrative-command unit will be able to feed us. Myaso Association previously had the name of Uzglavzhivprom [Uzbek Main Administration for the Livestock-Raising Industry]. They changed the sign. What are the results? The same, if not worse.

And how can it be otherwise? It is possible to optimally manage an object that is 100 versts from the administrative center? It is time to make enterprises independent not in word but in deed. In that same Surkhan-Darya Oblast there is a combine for grain products and an oil-extraction plant. Thus neither concentrated feed nor husks are in short supply. But...the bureaucratic system continues to play its games. Husks from Denau are sent to other places, as is the concentrated feed from Shurchi. Wouldn't it then be better to allow enterprises to sell all of this to their neighbors in the amounts they need?

An objection can be raised that then livestock will remain without feed in other oblasts. But they have their own enterprises that produce feed. Today we are thinking about all of those counter-shipments in which concentrated feed moves from Tashkent to Termez while railroad cars with the same type of freight are coming to meet them.

Only **complete** independence for **all** enterprises will enable us to have abundance. Meanwhile, a bureaucratic pyramid is being built above them and we can only dream about this complete independence.

### **Problems in Providing Feed, Grazing Land for Private Livestock**

#### **Difficulties Involving Feed and Grazing Lands Described**

18240054 Moscow SELSKAYA NOV in Russian No 3, Mar 88 pp 9-11

[Letters to the editor and responses compiled by M. Andreyeva: "And Once Again: What Shall We Use as Feed? Where Can We Pasture Our Animals?"]

[Text] This subject remains topical, but the situation is a difficult one. Millions of cows, young bulls, sheep, goats and hogs on private plots in villages, settlements and cities want to eat. You will not get anything from them "for free"—they are not mythological characters, but very real. And the herd's contribution is also very real and very considerable—milk, meat, wool and raw leather.

At the same time everyone knows that private livestock raising is replete with enormous difficulties. The first problem is that of feed. To a large extent it exists because in many places people think that supplying the "private herd" is not mandatory and perhaps not a state function. People say that managers and owners exist, let them worry about it. However, it is evident that without the

cooperation of public enterprises or local soviets it is simply impossible to carry out private livestock raising for the simple reason that meadows, pastures and other lands capable of feeding livestock are at the discretion of kolkhozes, sovkhozes, forestry farms and soviets. How these organizations decide to allocate this land is the way matters will stand.

The September 1987 resolution of the CPSU Central Committee and of the USSR Council of Ministers, "On Additional Measures to Develop Citizens' Private Plots, Collective Horticulture and Market Gardening," opens up new possibilities—industrious people who want to earn money can receive an additional plot of land for feed production; norms for upkeep of livestock, previously severely regulated, have been revoked; and agroprom [agro-industrial association] organs have been assigned the task of supplying the population with young animals...

But the resolution is not a magic wand. Concrete acts must follow. This process has not been simple or rapid and probably for this reason letters on the subject, "What Shall We Use as Feed? Where Shall We Pasture Our Animals?" (materials with this title were printed in the fourth issue of the journal in 1986) once again are characterized as a signal of calamity.

By publishing some of these letters and official responses to them received by the editors we would like not just to arouse sympathy in people like the authors of the letters and managers toiling over their livestock but also to bring about awareness and to awaken a sense of responsibility in specific parties guilty of contributing to the developing calamitous situation as well as in those who according to their job description are obligated to find reasonable solutions.

### **We Do Not Want to Believe That We Cannot be Helped**

Dear editors! I read in your journal the articles, "What Shall We Use As Feed? Where Shall We Pasture Our Animals?" and "In Order That the Land 'Not Remain Inactive.'" I fully support the journal's pronouncements. Yet what is happening here? The land remains empty and becomes weed-infested but the city ispolkom does not "have the right" to let us use it.

I live 7 kilometers from Kurgan. Previously there was a chairman's school teaching farm here. The school was closed and our settlement was transferred into the city. It is a city locality but the settlement is not well-equipped—wooden houses, stove heat. Each house has a private plot. My house is built on a plot that floods each year (previously a trench had been dug there). Each year the vegetables and potatoes that I plant become drenched; I am forced to travel to town to buy vegetables for winter for the entire family. This is why I turned to the city ispolkom with a request to give me a plot in the field (this is in the center of the settlement) which has not

been used for the last 5 years and is becoming weed-infested. This land has not been useful for many years now. It has become a wasteland.

The city ispolkom refused my request—city boundary. Six hundredths—you do not have the right to more than that.

Dear editors, perhaps you can help and rid me of the teasing of my neighbors, who say, "You live in the country but you have to go to town to get your potatoes?"

The land that we once used was given to the nearest forestry farm and sovkhoz. The residents of the settlement have been left without pastures and meadowlands for private livestock; mixed fodder is not sold in stores.

The oblast has not fulfilled its milk quota (a disgrace!). The best is hoped for regarding the supply of milk and meat and this is why we have to keep our private enterprises. The problem that is "impossible" to solve is the meadowlands. The Oktyabrskiy Rayon ispolkom and the city ispolkom answer our questions by saying that "We do not have any grazing lands or meadowlands."

We feel that the meadowlands are available, but...

In the forestry farm the forests are growing over with grasses and becoming impassable. The grass is as tall as a person. The forest is covered with trash. Each owner would be able to clean out his section and take care of it. There would be a double advantage—a forestry farm with a clean, cared-for forest and livestock owners with hay.

There is also the land that is flooded during spring flooding (given to Zarechnyy Sovkhoz). You could not get in there with equipment, but an owner with a cow could mow it.

The second problem has to do with moving hay out. We gather hay for livestock from inaccessible areas using carts and from flooded areas—using bags. It is not advantageous to use a vehicle to retrieve 2 quintals of hay and the area is not always accessible by car. I propose that animal-drawn transport be used.

There is a racecourse near our settlement. Each year horses are discarded for meat. Couldn't one of these horses be left "for hire"? Each manager would gladly employ it to move his hay.

The third problem for livestock owners is the veterinary service. I am not angry at the veterinary service workers. These are conscientious people. But the service itself must be strengthened; after all, the city is a large one! The staff and number of transport vehicles must be increased. What is happening now? If a cow becomes sick late in the evening or in the morning, then the doctor

will come (if he comes at all!) only in the second half of the day—this is almost 24 hours! When you call a doctor he says, "Come get me, I do not have any way to get out there."

I am an apartment tenant in a house (cottage) within the jurisdiction of housing administration number 3. It has planned the capital repair of the house but refuses to work on the buildings in the yard. I privately own a cow and calves, a young bull, a sheep and poultry. Where am I going to put all these animals?

I do not want to believe that the owners of livestock (and there are fewer and fewer of them with each passing year) cannot be helped by the allocation of a plot for mowing hay and by opening forage stores, especially since the government considers the private plot very important.

[Signed] I. N. Shchemelinina

The editors turned to the Kurgan Oblast ispolkom with this letter. A. P. Ustyuzhanin, first deputy chairman, reported that the letter was examined by the oblast ispolkom.

The residents of the city of Kurgan who own livestock are allocated haylands in the area of the state timber fund during every five-year plan in order to procure hay. Shchemelinina's request for allocations of haylands in the Ketovskiy forestry farm was sent to the Ketovskiy Rayon ispolkom for a positive solution. The haylands of Zarechnyy Sovkhoz which Shchemelinina writes about have been fully allocated for ongoing hay procurement use by workers, employees and retirees of the enterprise.

The Kurganskaya state stable with the racecourse does not have work horses.

In the city of Kurgan the sale of mixed fodder has been organized in 12 stores (tents). Mixed fodder is available in the store closest to where Shchemelinina lives.

The question of the obligations of specialists in the Kurgan city station for the struggle against animal diseases that was so well supported by the author was solved positively.

The building of yard structures near the house in which Shchemelinina lives has been refused because this was not planned for or included in budgetary documentation.

The ispolkom's response was generally promising, but not satisfactory in terms of all of the questions posed by Shchemelinina. Yet the proposals were business-like and presumably indisputable—concerning feed reserves, concerning transportation using animals, concerning the veterinary service and concerning the need for facilities to house the livestock.

Perhaps the letter was not read attentively enough? Why can't a self-supporting family be given a plot in the center of the settlement if it has not been worked for 5 years? Why was the question of moving hay from inaccessible lands avoided? Why can't a group from among the discarded horses be created to meet the transport needs of the population? Why has the building of livestock facilities been refused? Just what are the barriers that stand in the way of solutions? "It has not been planned for." But what is interfering with planning for it? Local authorities have the right and even the obligation to solve the problems of the private enterprise in the interest of fulfilling the food program.

### **We are Pasturing...Along a Livestock Burial Ground**

We live in the village of Sharlyk in Orenburg Oblast. It would seem that we could keep livestock, poultry and rabbits. But how often we face insurmountable barriers—there are no grazing lands and neither the sovkhos administration (there are two sovkhoses in one village and the village is the rayon center) nor the rayon administration are concerned about this. Day after day three private herds walk along the livestock burial ground and water sedimentation tank of the sewer system. There are no meadows for hay procurement for the winter and those of us who keep cows mow wherever and whenever we can, and simply steal grass all summer and dry it at home, or under the best circumstances make agreements with forest wardens and cut grass somewhere in the forest.

Doesn't anyone care how we feed our livestock? And 2 kilograms of butter—crying or yelling are to no avail, just take it to the store. Why not allocate more haylands in the forest or somewhere else, or propose to pay money???? Land is allocated somewhere to retirees and to "sovkhos workers" but the workers of other organizations have to fend for themselves.

Stores do not have mixed fodder; the sovkhos imports it and then sells it according to invoice with the signature of the director. Again this is only for "sovkhos workers."

Fine. We have fattened a calf to 250-260 kilograms. What do we do with it? We take it to the sovkhos to submit. We deliver it...and leave. We do not receive a receipt or any other document. But we are forced to sign some kind of agreement and some kind of document. Let it be, we agree. But don't we need some kind of document stating that we have given (sold) a "head" to the sovkhos?! No "supplier of surplus agricultural products" has such a document. We would be happy even if we received our money for the supplied product within 2-3 days but we wait almost a year. What kind of system is this?

They tell us we have signed contracts obliging ourselves to fatten a calf and supply it to the sovkhos for 1 ruble 62 kopecks per kilogram of weight, but how many kopecks

are we paid for our labor, and even suppose that they give us mixed fodder for raising the animals...But in reality none of this happens.

Those who deliver their meat to the procurement bureau do not have fewer problems. They do have a receipt but they have to go there three or four times to get their money.

[Signed] Respectfully, suppliers of livestock Dymova, Vereykin, Khvalyev, Milyayeva and Kharlamov.

A. V. Glazev, chairman of the Sharlykskiy Rayon ispolkom, responded to this letter.

A review of the collective letter established that the facts presented are true.

Private livestock grazes on poor-quality land. The pastures used by Salmyskiy Sovkhos also does not meet the needs of the enterprise. In the sovkhos a total of 3,293 hectares are pasture lands and during the summer period 1,307 head of cattle and 105 horses graze there. This is why conditions do not exist for mass allocation of meadows even for sovkhos workers. Sovkhos workers and specialists are allocated feed for private livestock when possible. The population that participates in feed procurement also receives feed as payment in kind based on percent of procurement.

The second, Sharlykskiy Sovkhos, is a fattening enterprise. All of its fields are sown in various crops and livestock is in tethered stall upkeep for the entire year. Sharlykskiy Sovkhos does not have pastures.

The purchase of livestock from citizens is carried out via a document and an agreement is made with the supplier. Accounts are implemented with the supplier via transfers into his savings book. Delays in payments occur as a result of the absence of a limit on the procurement of livestock or (temporarily) of an absence of means.

The annual fund of mixed feed for sale to the population comprises 1,500 tons in the rayon. Sometimes the sale of feed is implemented through organizations and enterprises.

The rayon soviet ispolkom will take into account the shortcomings that were mentioned in the letter and will take measures to eliminate them.

The answer is startling. An admission is made that "the facts are true," but nothing is maintained except the verification of these scandalous facts. In this region the violations have been elevated to the norm. Contracts with the population are fake and secured by nothing. This in and of itself subverts diligence, interest and trust in cooperation with public production. There are no pastures and the future is unclear.

The sorry state of private livestock raising in Sharlykskiy Rayon is awaiting a careful and critical analysis by the agricultural staff of the rayon—the RAPO [Rayon Agro-Industrial Association], and by the oblast agroprom [agro-industrial association]. We cannot tarry with the search for solutions—the grazing season is not far away.

#### **But it is Just That They Are Not Driven Into the Fields**

Greetings, SELSKAYA NOV! The 12th issue for 1986 published my letter, in which I complained about the absence of pastures for our cows, about the feed difficulties, and about the absence of contact with neighboring sovkhoses and kolkhozes. In particular, milk was not accepted.

A sufficient amount of time has passed since then. What has changed here? What is new? I am writing a thoughtful letter to you because the worry has remained on my mind even though the pasture question seems to be taken care of thanks to the agroprom chairman and even though we have been able to deliver milk, if only for the last one and a half months.

First about the pastures. We pasture our herd in the gully of Sovkhoz Number 7, Oktyabrskiy Rayon. We are not chased away, as before. But a herd of bulls of about 200 head belonging to the sovkhos traverses this gully, as does a herd of bulls of 300 head from Rodina Kolkhoz. You can imagine what is left after them for our 37 cows. In addition, the sovkhos has plowed up the land right up to the water and has sown corn for silage there. Perennial grasses should have been sown there—everyone knows this but no one does anything about it. It is true that right now we graze our cows along the swathes in the corn fields. We are not chased away from there either but soon the field will be plowed up and then once again we will have to lead our livestock to the gully, to the land that has been pounded by hooves. The pasture—this is a problem not only here but in almost all parts of the country. I feel that gross violations have been tolerated when all plots of land are plowed even when they are hardly suitable for crops, depriving livestock of pastures (not only our private livestock but kolkhoz livestock as well).

I think that this land should be returned to pasture. If this is not done, in about 5 years there will be nowhere for livestock to graze because the gullies will be without grass than can be eaten by cows. Let me explain. Sovkhoses and kolkhozes take their herds to pasture in May when the grass is hardly 4-5 centimeters tall and the livestock simply trample the grass with their hooves. The grass does not have time to finish blooming, to reproduce, or to resow itself on a narrow section of land with a large number of livestock.

The situation is as follows concerning haylands. Far away, at a distance of about 15 kilometers, there are excellent plots with good grass but it can be mowed only by hand. But kolkhozes and sovkhoses do not have

people for this; all they have is machines. They send calves into this waist-high grass so that people do not mow it. If they cannot use it, no one can.

A word about the delivery of milk. All kolkhozes and sovkhoses allocate only wheat straw for procured milk. Who will want to supply milk under such conditions? It must be said directly that our domestic cows are highly productive because they eat hay (although it is difficult to obtain and expensive) plus the swill from food waste. What will my cow yield if I put her on rations of wheat straw? Probably the same as the sovkhos cow—3-4 liters per day. But this does not satisfy me. This is why I buy hay for my cow at 20 kopecks per kilogram. This year I bought about 5 tons of hay and 1.5 tons of straw (barley). I winter four head—two cows and two pregnant heifers. It happened that no one buys the heifers, everyone is looking for cows and it is a shame to kill them for meat. I wanted to kill one of the cows, but changed my mind because she is pregnant.

I am also concerned because I am afraid I will not be able to handle the situation—I will handle it, but will I have enough feed? And in the spring if I do not have enough feed kolkhozes and sovkhoses will not even provide straw for me. I do not know what I will do then.

And still I want to ask—perhaps it is not possible to maintain four cows, as I have? Milk delivery is not organized well here. Sovkhos Number 7 is a 10-minute walk from my home but they do not want to receive the milk there because they have to pay for it with feed.

People buy milk from me at home for 50 kopecks per liter and demand is large. I could sell it for 30 kopecks per liter if the sovkhos helped me with feed. Could it be that this is not advantageous to the state?

I delivered the young bull to procurers because the sovkhos did not receive it. And again why is this—the procurer values the bull not by nutritional state but by weight? After all privately it is difficult to raise a young bull of 400 kilograms, especially on our paltry feeds!

All of these thoughts give me no peace and this is why I am writing to you.

[Signed] I. P. Alginina, settlement of Mayskiy, Rostov Oblast.

The first thought that comes to mind after reading Alginina's letter is how serious she is, a real manager! Local soviets and the agroprom should lean on such people, should respect them as partners capable not only of meeting the needs of the family (which is the primary function of the private enterprise) but also of producing marketable products. To maintain four head of cattle under the difficult conditions of a dry and plowed-up area successfully is not recreation but true devotion. And



if she were helped and met halfway?! It would seem that any partner (consumer cooperative, sovkhoz, public nutrition enterprise) could not lose. Hurry before people like Alginina give up!

As for her question about whether it is possible to maintain four head of cattle the answer is in the interview with V. A. Goryashin, chairman of the RSFSR Gosagroprom [State Agro-Industrial Association] (IZVESTIYA, No 207, 1987): "Today there are practically no limitations on the maintenance of cattle..."

#### Local Follow-Up

18240054 Moscow SELSKAYA NOV in Russian No 10, Oct 88 p 7

[Response by L. S. Kulikov, Gosagroprom First Deputy Chairman: "And Once Again: What Shall We Use as Feed? Where Shall We Pasture Our Animals?"]

[Text] This was the heading in the Number 3 issue of the journal in 1988 to a selection of published letters and to local responses to them.

Responding to the letter entitled, "We Do Not Want to Believe That We Cannot be Helped," is Gosagroprom First Deputy Chairman L. S. Kulikov. He openly admits that in the oblast, as before, a serious situation exists as regards supplying private livestock with feed. This especially affects the populations of rayon centers and industrial cities—Kurgan and Shadrinsk.

"The natural feed lands of the state timber fund," writes L. S. Kulikov, "do not meet the need for feed, even of the livestock belonging to the populations of the rayon centers and cities. There can be no growth in the size of the herd with the present attitude toward the fertility of these feed lands."

What is proposed? What kind of solution?

In order to increase the productivity of haylands and pastures of the state timber fund allocated for livestock belonging to the populations of rayon centers and cities it is essential to make radical improvements on this land with the undersowing of grasses. With this goal in mind we must create cooperatives from among the citizens of the rayon center or the city who have private livestock. By means of dues (the cooperative's resources) a radical improvement of the state timber fund lands should be carried out and cultivated pastures should be developed.

To create such cooperatives the deputy chairman of oblagroprom is presenting a positive example of the operations of a cooperative of workers and employees in the repair-technical enterprise in the rayon center of Lebyazhye.

The cooperative has 76 people with private livestock. The cooperative has been working for 5 years. It has been given agricultural lands and has its own equipment. Hay is procured on the basis of 25 quintals per cooperative member. The cooperative is involved in grain production.

The cooperative has monetary resources on account.

#### Further Follow-Up Commentary

18240054 Moscow SELSKAYA NOV in Russian No 1, Jan 89 p 19

[Commentary by V. Blokhin, director of the Main Administration for the Production and Processing of Livestock Products of RSFSR Gosagroprom, V. Lizunov, agroprom deputy chairman in Orenburg Oblast and V. Sheyko, agroprom first deputy chairman in Rostov Oblast: "And Once Again: What Shall We Use As Feed? Where Shall We Pasture Our Animals?"]

[Text] Above is the heading that has become, alas, a constant one in our journal in recent years under which letters from several oblasts and responses and commentaries have been published (No 3, 1988).

The response of V. Blokhin, director of the Main Administration for the Production and Processing of Livestock Products of RSFSR Gosagroprom, is very general and, in our opinion, very optimistic. In most parts of the republic, he feels, citizens with private enterprises usually are allocated pastures for pasturing cattle, haylands and transportation for bringing in feed, and the sale of piglets, poultry and feed has been organized...Becoming widespread in the practice of allocating feed for the organization's own workers for payment in kind.

Comrade Blokhin does recognize that some problems remain. The questions raised in the journal will be examined by specialists from Gosagroprom locally during travels on assignment.

There was a serious reaction to the journal's article in Orenburg and Rostov. V. Lizunov, agroprom deputy chairman, Orenburg Oblast, notes that the problems touched upon in the article are of concern not only to the residents of the village of Sharlyk but to those of many other settlements in the oblast and apparently in the entire country as well. The high level of plowing does to a certain degree actually make it more difficult to allocate land for the pasturing of livestock and for haylands. The unsatisfactory condition of pastures has been subject to much criticism. However, the development of private enterprises is being hindered most by the negative attitude of individual economic and soviet organs and by the lack of desire to take on additional worries. In Sharlyk after the publication of the letter good pieces of land were found for pasture.

In Orenburg Oblast feed production for private livestock is now included in kolkhoz and sovkhoz plans. The enterprises of Perevolotskiy, Krasnogvardeyskiy and Sol-Iletski rayons bring in green feed in an organized manner to places where private livestock pastures in the summertime. Oblast kolkhozes and sovkhozes in 1987 sold the population about 24,700 tons of green waste and mixed feed. Moreover, over 40,000 tons of mixed feed were sold through stores of consumer cooperatives and through trade administrations—over 10,000 tons. It is categorically forbidden to utilize market fund feed not according to specification.

These measures have enabled the oblast to stabilize the population's herd during the last 5 years, and in a number of regions to significantly increase it as well.

Responding to the letter by I. Alginina ("But it is Just That They Are Not Driver Into the Fields...") published in the journal, V. Sheyko, agroprom first deputy chairman, Rostov Oblast, admits that in the village of May-skiy of Oktyabrskiy Rayon, Rostov Oblast, things actually did not go well as concerns the reception of milk from the population, and that feed and pastures for cattle were not always allocated.

For the current five-year plan the oblast has developed a program for the sale of calves, piglets and poultry to the population. In each enterprise certain lands are being planned as pastures for private livestock and the allocation of haylands and feed (coarse, succulent and concentrated) is being planned. Green feed is being brought in. The oblast union of consumers' societies has been assigned the strict use of allocated forage resources.

Specialists of the agro-industrial committee, kolkhozes and sovkhozes and directors of settlement soviets, rayon ispolkoms and consumer cooperatives are carrying out informational work for gatherings of peasants. They are ferreting out shortcomings and taking measures to improve conditions for raising private livestock. They are dealing with questions of allocating feed and pastures for private livestock. They are organizing the sale of goslings, ducklings, baby turkeys and chicks of meat varieties and involving specialized poultry-raising enterprises for this purpose.

All enterprises are allocating livestock owners coarse, succulent and concentrated feed for milk received, according to contract. Meat procurement from the population is being implemented by kolkhozes and sovkhozes according to contracts and through procurement buros—with receipts. For meat delivered the enterprise allocates, in addition to money, feed, pastures and haylands.

The response of the Kurgan Oblast agroprom to the article was printed in Number 10, 1988.

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## AGROTECHNOLOGY

### Problems Impeding Increase in Vegetable Production

18240083 Moscow SELSKAYA ZHIZN in Russian 17 Jan 89 p 1

[Interview by A. Perkhov with S. I. Sychev, General Director of the Branch Scientific Complex for the Production and Processing of Vegetable Products and Potatoes: "At the Source"]

[Text]

[Perkhov] Sergey Ivanovich, here are the letters of readers. The people write that in the stores of Soyuzsortse-movoshch [All-union quality seed and vegetable association] it is difficult to buy the necessary seed. They attribute the shortage directly to the low level of production and of quality of vegetable products.

[Sychev] Yes, the problems relating to supplying the population with vegetables are becoming social in nature. People are getting tired of lines for good tomatoes and cucumbers. They are tired of paying money for tasteless watermelon! It is bitter to admit that the vegetable conveyor is not well-paced and often provides things that consumers do not want at all. Yet we have many varieties and hybrids of vegetable and melon crops. In the country 812 have been regionalized, including tomatoes—76, cabbage—58, onions—60. There are dozens of varieties of cucumbers, carrots, garlic, watermelons and melons...But the way in which this great variety is being used is simply absurd. Let us look at white cabbage. Of its 58 varieties sovkhozes and kolkhozes cultivate primarily the Amager-111, Slava-1305 and Kharkovskaya Zimnyaya varieties...Only five traditional varieties occupy 60 percent of the total area in cabbage.

[Perkhov] This means that it turns out that our fields are filled with "old-timer varieties"? But perhaps the young ones are inferior to them in some characteristics?

[Sychev] That is not quite so. There are many new varieties that exceed the standards for productivity and useful technological properties. There are varieties that vary in maturation time, that are resistant to the main diseases and that were developed for machine technologies, for long-term storage, for pickling, for salting and for canning—this is a selection that is called upon to secure the uninterrupted year-round supply of the population with vegetables. And although the area in Kharkovskaya Zimnyaya cabbage, Kustovoy and Izyashchnyy cucumbers, Dnestrovets and Almaz eggplant and others has expanded, we lag behind greatly in supplying the needed assortment of products. Seed production plans for 1987, if we exclude peas, were fulfilled by only 73 percent, and in the RSFSR—by 54 percent, moreover, of

the basic crops. This makes it necessary for the government to procure seed abroad, spending up to 30 million foreign currency rubles for this annually.

[Perkhov] So it turns out that the extensive network of NII [Scientific research institutes], state variety plots and seed-farming enterprises have been running idle? What are the reasons for this great wastefulness in efforts and resources?

[Sychev] Let us look at our institute, VNISSOK [All-Union Scientific Research Institute for Breeding and Seed Farming of Vegetable Crops], the head in the complex. Thanks to the efforts of breeders, during this five-year plan 15 varieties and hybrids have been regionalized. Here we have cucumbers that are resistant to disease as well as watermelons, eggplant, onions and greens. To a great extent they are better than their predecessors. But in order to have them come to the fields we need a network of high-quality experimental enterprises, test stations and support points. However, in Stavropol Kray we were assigned Novopavlovskiy Sovkhoz—the most lagging in Kirovskiy Rayon, and it is also a fattening enterprise where all crop rotations are calculated for other needs. Farms are falling apart, there is no place to live, even during the day with a flashlight you will not find specialists-seed farmers there...In order to produce elite seed for melons, carrots, onions here without interruption we will need about 10 years to organize things.

This kind of situation exists not only in our association. Last year, for example, the local RAPO [Rayon Agro-Industrial Association] almost doubled the meat production plan for Odessa Experimental Station. We are asserting that this should not be done or the station will be left without seed! Turkmenia's Vakhman Sovkhoz is being overloaded with plans for vegetable sales yet seed production is not even being planned. Evidently, we must reexamine attitudes that have taken root, establish increased demand for seed on the part of the USSR Council of Ministers and Gosagroprom [State Agro-industrial Committee] and establish state orders for their production in quantity and assortment.

[Perkhov] But after all state orders in and of themselves will hardly solve all of the problems. We need economic incentives to accelerate production, to reproduce and sell seed of new regionalized varieties...

[Sychev] Yes, this is a burning problem. Go into any store. There the cabbage, carrots and tomatoes being sold are pooled...Yet their varieties differ in taste qualities, in ability to be stored, in ability to be canned and so forth. If you ask the salesperson the names and special characteristics of the variety of those same potatoes and carrots he will look at you perplexedly. Millions of people want to know what they are buying, what they are paying their money for! But alas! The impersonal has been established along the entire chain of vegetable production.

Let us look at hybrid cucumbers and tomatoes. In other countries they occupy 80-98 percent of the sowing area because they are high-yield crops, because they mature uniformly and because the individual vegetables are equal in size, which facilitates the use of industrial technology, and they are resistant to many diseases. In our country 19 varieties have been regionalized but they occupy only a small portion of the sowing area. Why? The cultivation of their seed is labor-intensive and established prices are at about the level of regular varieties, whereas in the U.S.A. they are higher by a factor of 10-30. One wonders what the point is of beginning to cultivate products locally when all they bring is losses.

Procurement and wholesale prices for vegetables themselves are not coordinated. They do not take into account either the shelf life of the variety, its resistance to disease or its suitability for salting, pickling or fermentation. And the producer does not need to chase after varieties that are needed by the consumer, guaranteeing a long shelf life and quality processing. This is how losses begin.

But look at the way the distribution of seed farming is rewarded! For example, it is very advantageous to raise white cabbage in Azerbaijan (the production cost of a quintal of seed is an average of 800 rubles). But we procure only one-third here; the rest we produce in regions where the production cost fluctuates between 2,300 and 7,900 rubles per quintal! Yet the efficient distribution of seed farming alone will allow the country to save about 22 billion rubles and to produce an additional 5,000 tons of seed.

I feel that procurement and other prices should be established centrally by USSR Sovmin [Council of Ministers] with a consideration of the special characteristics of zones so that breeding institutions-originateurs and seed farmers exist primarily on the basis of the new varieties and hybrids. State orders must come down to republics. It is also important to increase the rights of producers and purchasers of seed, providing for them the opportunity to establish the size of supplements or discounts to prices on a contract basis for special biological, technological and other properties of varieties.

[Perkhov] Probably the State Commission for Variety Testing should not remain outside this system? In our letters there are many complaints about this service. The readers complain that its operations are hidden behind "seven seals"...

[Sychev] Of course information that is provided about new regionalized varieties is still scanty. And another thing—regionalization evidently must be a recommendation but not a law. Agronomists are justified in selecting for themselves the variety that is economic and necessary to them.

[Perkhov] When there is a selection. After all, we still have the problem of accelerating the breeding process.



[Sychev] Here are the facts. Today to develop a two-year crop variety we need 16-18 years, and an annual—6-8 years. Meanwhile breeding research can be curtailed by half. For this we need equipment capable of diversifying and strengthening work, especially in directions such as hybridization, biotechnology and genetics. Yet what do we have? Phytotrons (climate rooms), which provide the opportunity to run experiments year round and in the assigned regimen, cannot be ordered anywhere. And those that we have received are not in any condition to operate in the way that we need and break down rapidly.

And what about nutritive media for biotechnical experiments? It should not contain even a thousandth part admixture. We only dream about such things, but race to get them from abroad. Abroad we look for laminars, analysis equipment, centrifuges and electron microscopes. I will not even speak about computer support for our breeding centers—they are quiet about this. As a result we lag behind in the development of varieties and hybrids of the intensive type earmarked for machine harvesting which have a long shelf life and are disease-resistant. Yet almost 4 years have passed since the CPSU Central Committee and USSR Sovmin passed a resolution on the development of biotechnology. It is time to face our needs and Minpribor [Ministry of Instrument Making, Automation Equipment and Control Systems], Minmedbioprom [Ministry of the Medical and Microbiological Industry], Minkhimprom [Ministry of the Chemical Industry] and USSR Pishcheprom [Food Industry] are obligated to solve this problem.

[Perkhov] Is it normal that in your enterprises seed is incruised in...concrete mixers? Can this be an achievement of technical progress?

[Sychev] I am ashamed to admit it, but vegetable farmers everywhere remake the arriving technology or manufacture it with their own hands. Of 20 machines belonging to the so-called "system," only three are manufactured. This is because it is not convenient for gigantic plants to become involved with small batches, especially on powerful conveyors earmarked for one type of production. And in Gosagroprom there is no one to assign this important matter to. Many new machines have been frozen in testing and experimental models—there is no one to produce them anywhere. Our complex is suffocating without this technology, without a plant for producing it. One of the machine building plants in which all the accessory structures are already built could become such a plant. It is in a convenient location—the institute is nearby. I ask that it be transferred to us! This will serve as a continued improvement in the work of scientific-production associations belonging to the complex and will accelerate development of seed farming of vegetable crops. And finally it is time to make our associations independent cost-accounting enterprises which must survive by means of the sale of seed and other products and will depend on the state budget only when beginning research in directions such as biotechnology, genetics and so on, the return on which cannot be rapid. They can

work like agro-industrial combines such as Ramenskoye and others...It is then that the complex will begin direct trade of promising vegetable seed varieties and hybrids with foreign countries. After earning hard currency they will be able to purchase equipment.

### Chemical Fertilizer Dangers to Environment Noted

18240035 Moscow SELSKAYA ZHIZN in Russian  
27 Jan 89 p 2

[Article by B. Yagodin, Academician of VASKhNIL [All-Union Academy of Agricultural Sciences imeni V. I. Lenin] under the rubric, "Chemicalization and the Harvest": "Mineral Fertilizers: Living and Dead"]

[Text] "One cannot make up for a lack of knowledge with an abundance of fertilizer."—D. N. Pryanishnikov.

It is useful, in our view, in discussing the current state of affairs in the chemicalization of agriculture, to recall some principles from the rich scientific legacy of the founder of Soviet agronomic chemistry, Academician Dmitriy Nikolayevich Pryanishnikov. As is well known, the subject of agrochemistry—the science of feeding plants—is fertilizer, together with the soil and the plant. In this article we shall try to devote attention to the use of mineral fertilizers as a most important reserve for increasing the yield of all crops and for solving foodstuff problems, because it is precisely this which should yield the main portion of that increment in the production of agricultural output which is planned to be obtained in coming years.

One can often hear at the markets: "Grown only with barnyard manure...." Let us note, incidentally, that the contrasting of natural manure and mineral fertilizers has a long history, but nothing worthwhile has come of it. D. N. Pryanishnikov showed persuasively that these fertilizers complement each other, strengthening the effect of each other on yield. Another question is completely logical: in what ways are organic fertilizers different from mineral fertilizers in relation to the agricultural plant? Plants assimilate nitrogen, phosphorus, potassium and other nutrients from both natural manures and mineral fertilizers, but plants can assimilate them only after they have been mineralized. In this case, proponents of the use of natural manures alone should know also that large-scale runoff of natural fertilizers from large livestock complexes presents a real ecological threat. This leads to pollution of the soil and natural waters, to a sharp degradation of their physical, chemical and sanitary state, and, together with this, to the accumulation of nitrates in plants.

There is at present much evidence of science's great potential, particularly in regulating the quality of the harvest by purposeful change in the feeding of plants. For example, top dressing with nitrogen fertilizer promotes an increase in the protein content of grains of wheat, and we get more starch in potatoes and sugar in



beets by changing phosphorus and potassium feeding. Let us emphasize that this is not the result of achievements in agrochemistry but it has already become a classical example of the agrochemistry of yesterday. At the same time there is much evidence also of a worsening of the quality of output caused by using mineral fertilizers, especially those that contain chlorine. More often than not, potatoes and flax suffer from this. This phenomenon has been known for a long time and should be considered in cropping practice. However, the incompetent use of fertilizer is repeated each year.

Recently, as a result of large-scale publicity, the question of nitrate pollution of vegetables and potatoes has been raised. We shall not deny the participation of nitrogen fertilizer in an increase in the nitrate content of output. But is it only nitrogen that causes the existing situation? Science has at its disposal reliable data on nitrate accumulation in vegetables that are raised in fields that have received moderate and even low feedings of mineral fertilizers or were not even fertilized at all. Nitrate accumulation in them was promoted by warmth and moisture conditions for growing the plants and disruption of the lighting conditions for growing crops, as well as by injury and incorrect storage of the finished product. The introduction of high norms for manure, which occurs more often at fields near the livestock activity, also leads to nitrate pollution not only of plants but also of soil water, including the water that we drink.

Let us ask ourselves a question: given such an abundance of xenobiotics that are entering the biosphere, that is, of substances that are allogenic for an organism, and pollution of the air, food and water by heavy metals and organic compounds (often with the most unpredictable properties), why is the question of nitrates so pressing? Is it not the fact that they will be found and processed, they are being used (at least in limited fashion), and they are easily realized by analyzing vegetable products for their nitrate content? But before this the problems did not seem to exist. This is a typical example where our ignorance is equated to the absence of a problem. While today, more sensitive and complicated methods and expensive analytical equipment are required for determining the content of heavy-metals, and even more so of organic xenobiotics, in foodstuffs, we take the view that this problem is not so severe.

Actually it is much more severe. And the industry that produces mineral fertilizers makes a definite contribution to its emergence. Thus, for example, phosphoric fertilizers are polluted by cadmium, strontium, fluorine and other elements. The degree of contamination of phosphoric fertilizers depends primarily upon the quality of the raw-material that is the source for producing it. Our country has been lucky in this regard: Kola Peninsula apatites are the purest for producing phosphoric fertilizer raw materials. Let us say that Khibiny apatites contain an estimated 0.4-0.6 milligram of cadmium per kilogram, while phosphates mined in the U.S. contain 13, in Senegal as much as 70 milligrams per kilogram.

But here is a paradox: on the one hand we are shipping the purest phosphoric fertilizers to other countries, and on the other hand we are buying grain abroad. Meanwhile, we could get for the mineral fertilizer sold abroad several times as much grain as we import. But here the country suffers losses that are not just quantitative but are also losses in output quality.

Unfortunately, our losses in output quality often are connected with the overapplication of mineral fertilizers. And so, everywhere people are speaking about low output quality, and the opinion is formed that an excessive amount of mineral fertilizer is being used in our country. This is far from the case. Actually, about 25 percent of the area devoted to grain crops and 10 percent of it devoted to vegetables does not receive fertilizer at all. In 1987 only 110 kilograms of nitrogen, phosphorus and potassium put together were applied, on the average, per hectare of plowed field, while more than 336 were applied in Czechoslovakia, 356 in Great Britain, and 427 kilograms in the FRG. As we see, various European countries use dosages of mineral fertilizer 3- fold to 4-fold greater than we do, although the quality of foodstuffs there is no less a matter of concern there than an increase in the harvest. Often the labels and packing of foodstuffs that are produced in these countries are so informative that there is not even enough space for informational and motivational advertising—it is displaced by data on the product's chemical content, and the area of notices always sums up not only the content of nitrates but also other data that guarantees high quality.

What prevents this from being done in our country, which possesses all the material resources that are necessary and sufficient for intensifying agricultural production? Apparently there is a shortage of knowledge and sophistication, and clumsy use of that which we now call the human factor. What engenders the lack of sophistication in using mineral fertilizers? Primarily the lack of professional knowledge about agrochemistry and the ecology. Here, of course, there is guilt also on the part of those who train agrochemical workers for the countryside. Where, let us say, is the knowledge obtained if agrochemistry is not taught at all in agricultural tekhnikums? And this means that the most numerous category of agricultural workers lacks knowledge that is most important for work in the countryside. At the same time there is a paradox in the fact that in some places they are talking about the lack of a need for agrochemical specialists, for there are still many kolkhoz and sovkhoz supervisors who do not want to spend money on the upkeep of specialists. Here is where miserliness is paid for doubly. For often this is paid off in losses of harvest and a reduction in harvest quality and, in the final analysis, in the people's health.

Another set of problems arises because of incomplete, and sometimes a complete lack of, mutual understanding between the chemical-industry specialists responsible for producing mineral fertilizers and the agricultural

specialists who use them. As is well known, we do not produce a large variety of mineral fertilizers. When the fertilizer industry falls short, we can make adjustments by preparing fertilizer mixes locally, but not always, by far, and only when the needed common fertilizers are at hand. However, shipments thereof are being reduced. In Bashkiria, for instance, the winter fields require less nitrogen and more phosphorus than are contained in the complex fertilizers shipped to the republic. The supplier—the chemical plant at Meleuz, obeying the schedules of its ministry, sends the farms mainly ammonium phosphate and nitrogenated ammonium phosphate. A dead-end situation is created.

The matter of producing microfertilizers also is going unsatisfactorily. For comparison: cropland area in the USA is 25 percent less than in our country but 10-fold more microfertilizers are used there.

One must not disregard the losses that we suffer because of nonobservance of operating discipline. Supervisors and specialists of agricultural enterprises usually are lectured about the amount of fertilizer delivered to and spread about the fields, but no one asks whether they are mastering a scientifically sound system for crop-raising, a most important component of which is the development and observance of a system for fertilizing each specific field. This approach is very convenient for them: since the quality of output as to chemical content is not being monitored, prices for it are not differentiated.

Why are many complaints of the opponents of mineral fertilizers being registered today (the magazine URAL, 1988, No 2; the newspaper IZVESTIYA of 10 July 1988, 20 August 1988 and 10 September 88, and so on) against the mineral fertilizers themselves or against agrochemistry? One may concur with the various positions of these publications, especially with regard to environmental preservation and improvement of foodstuffs quality. But we do not have the right to throw mineral fertilizers and chemicalization out of our lives indiscriminately. We must study how to use the achievements of chemicalization wisely. If some negligent manager uses incorrectly the mineral fertilizers placed at his disposal, then this should not mean that we must prohibit their use entirely. This is the same as saying that the use of fire should be prohibited because conflagrations occur.

As for agrochemistry, the complaints against this science are unjustified. It has always required the competent application of fertilizers. However, because violations of the rules and the technology for applying them have been committed at many places, without taking into account the requirements of the plants and the properties of the soil, it is a completely distorted notion that mineral fertilizers affect negatively the quality of the output of crop husbandry. This argument will collapse when we learn everywhere how to use them competently, when the sophistication of farming is raised to its proper level, and when our country gets a dense network of organizations that carefully monitor the quality of our food,

water, air and fertilizers, and when, finally, we discard rote methods as well as unsuitable directives for administering agriculture. And today D. N. Pryanishnikov probably would repeat his favorite and very correct thought: "An excess of fertilizer cannot make up for inadequate knowledge."

## LAND RECLAMATION, WATER MANAGEMENT

### Canal Construction Poses Problems

#### Halting Construction of Volga-Chogray Canal—Problems Remain

18240126 Moscow TRUD in Russian 30 Mar 89 p 4

[Article by V. Karpov, Kalmyk ASSR: "A 'Scoundrel' Strategy: The Construction of the Volga-Chogray Canal Has Been Halted; Its Plan Has Been Sent Off For Further Development"]

[Text] The flat steppe landscape appears to burst forth in dirty yellow mounds of dug-out subdued soil. A deep sloping ditch already filled with large pools of salt water rushes downward. On that side is another row of mounds extending into the distance. The landscape looks fantastic—the width of the ditch from side to side or from shore to shore is like an entire soccer field—100 meters. It seems as if some kind of giant squeezed the shoulders of the Kalmyk steppe that has been operated on by the blades of bulldozer scrapers. The canal...

At the moment, it is true that only a part of it has been built—80 kilometers of 360 kilometers. But that which has been done fills man with holy terror.

Ahead is a survey instrument buried into the ground with a large-volume bucket, a walking excavator; further, another one has "fallen asleep," and another and another...

Somewhere in the steppe a powerful rotary complex has "lost" its job. It is from among those which up until now were used only for coal extraction in open pits.

Quiet has once again become queen of the steppe. The sun is hot, the snow has melted everywhere, the plain is about to burst forth in a bright green carpet of different grasses. Then the ditch of the main line will resemble a disgraceful scar even more.

Machine operator of the walking excavator D. Ilin from the Moscow region and his helper from Elista V. Kargin join the conversation readily. There is practically nothing for the workers to do now, there is just one responsibility—to protect the walking machine entrusted to them. And there isn't even much need for that—only sheep herds come by and sometimes a saiga will visit the people. This is why the outfits of the machine operators are completely domestic—sneakers and sweatsuits.

"I don't know what I'll do if the canal is temporarily closed down," says Dmitriy Danilovich in distress. "Where will I find work? The Kalmyk ASSR does need water after all, doesn't it?" he asks us, as if he wants to calm his doubts.

It does need it, without doubt. Water for the Kalmyk ASSR, through which the canal must pass, means feed, an opportunity to stop the furious wilderness which is advancing from the Caspian, eating 20,000 hectares of steppe annually. Water means new large flocks of sheep and new herds of cows; water means life, comfort. People are waiting impatiently for water and at the same time...fear it.

"We do not need a canal," the eyes of shepherd Chakady Chakadayev flash with genuine anger. "We don't want it. Look at how much of the steppe it has already eaten, robbing our sheep."

Musa, Chakady's brother, nods his head in agreement. Livestock farmers came to the republic from neighboring Dagestan. They pasture sheep according to contract in Yashkul'skiy Sovkhoz. For the third year now they have been living at the point in the deep steppe. The fellows have a simple enterprise—enclosures covered with straw for the large flocks of sheep, a white house-mazanka [cottage of doped brick or wood], two dogs and two motorcycles with a side-car. And in addition wherever one looks—the horizon, blazing in summer with scorching heat and in winter bringing 40 degrees of severe cold and winds. In recent months the closest neighbors to the shepherds have been our familiar reclamation workers Ilin and Kargin. Here is the situation. One came under the flag of the USSR Minvodkhoz [Ministry of Land Reclamation and Water Resources] to help those same Chakadayev brothers to eliminate aridity, yet the latter are categorically opposed to aid.

According to a decision of the labor collective of Yashkul'skiy Sovkhoz it is essential to halt the building of such a canal.

Many people in the republic will support this conclusion—scientists and ecologists, workers and school children. There is considerable reason for this. I will cite one characteristic example. In approximately the same place that the new main line will pass, the Chernozemelskiy Canal was built over 10 years ago. In comparison with this canal it was a toy. But even it brought fear—water from it, entering the ground, raised a salty liquid to the surface, destroying thousands of hectares of steppe, flooding even the basements of houses with brine in the neighboring settlements. It was not irrigation but calamity.

Unfortunately, everything here is proper. The Kalmyk steppe has a special structure—at one time it lay at the bottom of the Caspian Sea. No matter where you dig you will find salt water. Any slovenliness during reclamation work and the salination of the soil is guaranteed. And

what will happen if instead of a stream a real river flows through the steppe? The supporters of the canal, and the Kalmyk ASSR has some of these, reassure us that nothing terrible will happen. This includes V. Ivanov, ispolkom chairman of the Yashkul'skiy Soviet of People's Deputies. Quite recently he worked on the construction of the Volga-Chogray Canal as the director of a mobile mechanized column.

"The problem is not the canal," he is convinced, "but in journalistic bias and in the shortage of information." The bottom of the main line will be covered with a panel in order to avoid leakage. Above it will be covered by a meter-thick ground cushion and then a concrete foundation. On both sides of the channel there will be a drainage system (the Chernozemelskiy Canal does not have this and this is why the problems have occurred) which will not allow salt water to rise. Forest strips will also exist.

Is this convincing? Only this is not the whole truth. Let us begin with the fact that the plan does not call for this kind of isolation. Talk about this began only in response to the pressure of public opinion. And the fact that the plan has been transformed is more for the sake of appearance—this kind of protection has not been foreseen for all sections of the main line by far. And for how long will it be adequate if we consider that we are speaking about a region in which the tectonic study has not been completed? Each year the movement of rock comprises 3-4 millimeters. Will the isolation withstand this? Scientists feel that it will withstand this for 3-5 years. Then the isolation materials will be "buried." And another detail is also important. It turns out that people will not be able to drink the water from the canal anyway; it is not suitable for drinking.

But there are also other questions. What will happen to the animal world in the region and to the Volga, from which the water, where it already is in short supply, is being taken? Can we take it from there in general? How will the canal affect the extremely urgent ecological and epidemiological situation in the Kalmyk ASSR? How advantageous is irrigation in arid of itself? Alas, it is extremely difficult to answer these questions. The entire paradox consists of the fact that the planning and building of the canal was begun without implementing the technical-economic and ecological foundation for such work. The principle that was followed was, "Let's do it first, and then we will figure out what goes with what."

It is only now that we are learning about alternative construction variants. Photographs from space have shown that the republic has large reserves of fresh water which could be used for local irrigation and to meet the needs of the population. It is possible to rebuild the old canal system. Finally, it is possible to halt the wasteland and produce feed using the method of so-called dry reclamation, in which specially-selected grasses and shrubs are planted directly into the sand. Two to 3 years of painstaking work and vegetation will be revitalized



once again. Such revitalization experience exists in the Kalmyk ASSR. But judging by everything these variants were doomed wittingly—the volume of land work here is much smaller than at the canal. And his majesty the cubic meter has been directing the ball of ecological vandalism. In essence USSR Minvudkhov, acting in the role of client and contract builder, instigated the canal for the sake of the canal. Alas, there is nothing new here. For decades we built plants for the sake of plants, factories for the sake of factories, economies for the sake of economies and were involved in the devourment of our resources. As for surviving, we did survive, but we almost destroyed the country in the process.

Since the Kalmyk ASSR is not contributing its money for the construction project (all expenditures are paid for by USSR Minvudkhov and USSR Gosagproprom [State Agroindustrial Committee] the Volga-Chogray Canal was presented to the republic as a gift on a golden platter. Here on paper everything is fine—people need water and we are supplying this water. At what price is of no consequence—the main thing is to achieve immediate advantages. Politically it is a winning action. This, incidentally, was the attitude in its own time of the council of ministers of the autonomous republic. Here approval was given for construction and the canal route was agreed upon. No sooner was there a threat to it, a counteraction mechanism was put into play. Moreover, it was on a scientific basis with a serious foundation. A unique scenario developed—“A Comprehensive Plan of Measures for Developing a Positive Attitude in the Population of the Kalmyk ASSR and the Construction of the Volga-Chogray Canal.”

The title itself already says a great deal. The content says even more. This time everything to the most trifling details was taken into account. This included the necessity “in the course of studying the materials of the 27th CPSU Congress of propagandizing the importance of the canal for further social-economic development of the republic,” and the development of a cycle of literary, artistic, graphic and photography reporting works. Naturally, they were also praising and congratulatory. We should not forget “the purposeful instruction of political information workers with the goal of revealing the significance of the canal” and it was even planned to carry out an automobile trip along the “Volga-Chogray” route with extensive explanations of facts and events along the route. Mass lecture, museum and excursion measures were separated into special sections. A document of five pages of close text with schedules, responsibilities, supplements...When you read it you are dumb-founded.

“And the plan began to be implemented,” says N. Kalyuzhnaya, candidate of biological sciences and chairman of the recently-created republic ecological association, “Kalmyk Steppe.” “Local newspapers were full of articles and special-purpose columns propagandizing the advantages of the canal. There was no room for materials with a different point of view.”

The department tried to force through the deceit and in some places locally this was played up to. Plans, billions on account promised an apparent advantage. Clearly not for nature. But the plan, just like the construction of the canal itself, has fallen through in its initial variant. It is true that right now that is temporary. Still the departmental and command-administrative arbitrary rule has had time to operate. Already 50 million rubles have been spent on construction and another million will be needed to temporarily stop the canal. But if we were talking only about money!

PMK-58 [Mobile mechanized column] was located on the outskirts of one of the steppe settlements. The builders of the canal set themselves up solidly—trailers on strong foundations, televisions, air conditioners and a good cafeteria with a shop. On the competition board are the social responsibilities already faded from the sun which until recently was dazzling with victorious red numbers. A mass of technology—dozens of bulldozers, machines and excavators. This entire powerful collective enterprise is disintegrating before our very eyes. Discipline is decreasing and the administration is perplexed. The director of the PMK, V. Pushkarskiy, motions with his hands, “We are on the verge of failure.” V. Rusak, chairman of the profkom [trade union committee], seizing the moment, sends a letter to the editors in the name of the collective: “We have not been paid wages for 3 months now...” The driver of a KamAZ [motor vehicle from the Kamskiy Automobile Plant] shows us the money crumpled in his hand. “These 3 rubles are my last and the watch has just begun.”

This is the turn things took. When the machine operators produced cubic meters, volume, they were needed and taken care of. Now when the building of the canal has stopped, people have basically been abandoned to their fates.

Looking at the concerned faces of machine operators and builders you will think of still another thing. Why not direct the powerful force of the PMK, for example, into building housing in the Kalmyk ASSR? The need for housing is truly acute. Workers can continue working using that same special collective method. This would be a concrete example of concern for man. Expensive? Inconvenient? Can it really be that the canal is dearer than people?

In SOVETSKAYA KALMYKIYA I happened to notice an article by the developers of the project who presented among their main arguments the fact that we irrigate less land here than other countries do. There can only be one conclusion—provide a canal! If not today, then tomorrow; if not in the Kalmyk ASSR, then somewhere else. But in the calls and advertisements promising the gift of water and the twisting of the neck of mother nature there is a shameful silence about how ineffective this kind of reclamation sometimes is. In neighboring Astrakhan Oblast, for example, already two-thirds of irrigated lands have been taken out of rotation. “In the Kalmyk ASSR



itself," says V. Grishin, senior specialist of USSR Gosplan Gosekspertiza [State Committee of Experts], "about 40 percent of reclaimed land has been lost for the very same reason." Something similar is occurring throughout the country. It is not wise for Minvodkhooz to try to economize on drainage, isolation materials or irrigation technology or to simplify plan foundations.

Would this kind of approach be tolerated in Europe or America? It is not advantageous or efficient. Only a virus of our own wasteful economy could infect the country with a primitive "scoundrel" strategy. Here are some facts to consider. That same Volga-Chogray Canal, in the opinion of specialists, will provide, in addition to other negative factors, a loss of up to 30 percent of water due to evaporation and "seepage." Finally, hundreds of thousands of hectares will be swallowed up by the "luxurious" channel. What country can allow itself expenditures of many millions which then result in losses of many millions? But we—as you please. "They" take care of every gram of water and land while we throw our riches to the wind for nothing.

Probably only in Ancient Assyria and Egypt were canals dug with impunity and then the water was to flow. Today a different technology is used in the world. Even in the small principalities of the Arab peninsula water for irrigation is transported in large-diameter pipes like gas or petroleum. Additionally, there are, of course, automation and instruments. They calculate how much water has been taken in and control irrigation. Irrigation is by the drop. Also they place a plank under each plant so that the moisture does not penetrate downward, opening a path for the salt. Nothing evaporates from the water conduit, of course; water pressure is regulated. If you need more—please; less—no problem. According to our standards it is fantasy. But how is it possible that bedouins are sharper than Minvodkhooz? People could retort that we are speaking about a much larger volume of water, which requires more expenditures and complex construction. That is true. But isn't it time that we nevertheless orient ourselves toward tomorrow instead of chasing after doubtful immediate advantages? One of my collocutors joked bitterly that Mars became a dead planet because canals were built there.

A. Rubtsov, rector of Kalmyk University, is sure that water conduits are a step forward as compared to those pre-alluvial methods of reclamation which we use. He is ready to make calculations and substantiations with the aid of specialists of various branches. "A systems approach is important," states the rector, "and then there will be no errors. And large-diameter pipes will be found. As far as I know, Minvodkhooz has already brought in water conduits while preparing for the divergence of rivers for use on sections with a complex relief."

But honestly speaking it is personally difficult for me to believe that powerful water conduits will be placed in the Kalmyk SSR or elsewhere even experimentally if only for the reason that our entire economy tried for an entire

epoch to squander resources. If we refuse to dig harmful canals immediately machine builders, for example, will lose orders for the manufacture of powerful land digging equipment. They have their own suppliers. Everyone has plans, plans, plans. Who wants to remember, when a decent wage looms, that under the unnecessary canals and machines we are also extracting and robbing metal and forests that the country needs?

But this must be mentioned or nothing will be left for us. Neither land nor water, nor groves, nor grass. There is only one answer—to struggle to the end against the "Martian" philosophy, against the "scoundrel" strategy.

### Water Resources and Degradation Problems in Azov Basin

18240126 Krasnodar SELSKIYE ZORI in Russian  
No 12, Dec 88 pp 27-28

[Article by K. Chesnokov, director of the ichthyological service of Kubanrybvod [Kuban Fish and Water Association]: "Do We Need a New Artery?"]

[Text] The situation involving the distribution of water resources of the Azov Sea basin among various branches of the national economy continues to remain urgent. The priority consumer of irrigation water here is rice, which requires its greatest expenditure per unit of sowing area and food production. It has been learned that the shortage in the basin's water balance has not so acutely touched any branch as it has touched the fishing industry. The development of irrigated farming is being implemented at the cost of the interests of this industry. According to data from the Azov NII [Scientific Research Institute] of the Fishing Industry, in order to maintain fishing reserves at least on the existing level it is necessary to direct 7.2 billion cubic meters of water annually into existing reservoirs. Yet we receive only 3.8 billion cubic meters—almost half of the ecologically tolerable norm. Actually the delivery of even this volume into reservoirs in the course of the year does not correspond to the requirements and regimen established by the existing laws for the operation of the Krasnodar Water Reservoir.

The situation that has developed is the result of the fact that the norms for water consumption within the agricultural branch remain at an exceedingly high level as before. From 18,000 to 20,000 cubic meters of river water are expended per hectare of those same rice check plots. Here it should be noted that over two-thirds of it is then channeled into reservoirs. Moreover, this water, saturated with herbicides, is not suitable for use and its dumping results in the annual mass destruction of fish due to cumulative toxicity.

In order to achieve the more efficient use of fresh water currents and to curtail the inflow of sewage water saturated with poisonous chemicals into natural reservoirs, in June 1984 the krayispolkom [krai executive committee] and krayagroprom [krai agroindustrial committee]

made a decision about the necessity to use sprinklers in rice growing. But unfortunately the watering of rice plantations until now has been carried out according to the old methods and non-productive discharges of poisoned water from fields is widely dispersed, which is undoubtedly irretrievably harming nature, especially the fishing industry.

Under conditions of unjustified wasteful use of water resources in the Azov Sea basin the scheme for the transfer of river current from Rostov Oblast into Krasnodar Kray in a volume of 1 billion cubic meters is not justified from the ecological point of view. Up until now there has been no strict accounting of its use by water-intake structures. As a result there are constant overwaterings, which facilitate not only the rise of ground waters but also decrease the productivity of crops. In the practice of irrigated farming in the majority of cases irrigation is being carried out according to the water-use plan, on the basis of planned irrigation regimens, which are elaborated with only one goal in mind—to determine the capacity of passage of the irrigation network. The planned irrigation regimen is not recommended for practical use by a single normative document. What kind of efficient water expenditure can we speak of here?

Contemporary experience for irrigating agricultural crops attests to the development of an entire series of negative processes, which result in an even greater deterioration of the ecological situation, which is grounded first and foremost in the discrepancy between the possibilities of contemporary irrigation technology and the demands of the optimal water supply regimen for plants. This is the actual situation that confirms the absence of an efficient approach to the use of existing resources.

For the aforementioned reason in the Kuban basin as well as in the basins of the Yega and Chelbas rivers a water shortage has developed, which is having a negative effect on the breeding of the pike perch and the taran, and because of this, on the catch of these fish. In accordance with the study of the Azov NII of the Fishing Industry, in order to support an optimal regimen that will achieve natural breeding of semi-anadromous fish in the lower reaches of these rivers it is essential to provide a total of 192 million cubic meters of water. However, further development of irrigated farming and an increase in the irrevocable current of steppe rivers principally of the average flow not only places the fishing industry of neighboring regions in a difficult position but also fully excludes the possibility of its functioning without an auxiliary current.

It is appropriate to remember that we have been allocated the remaining fresh water current, which has been called "unuseful" by Minvodkhos organs. It is this that is distributed by the fishing industry according to its direction.

The basic resolutions in the scheme of irrigation development within the Rostov-Krasnodar zone are in no way coordinated with energy supplies. In connection with the resolution of the CPSU Central Committee and the USSR Council of Ministers, "On Halting Work to Transfer a Portion of the Current of Northern and Siberian Rivers," the possibility to improve water supplies in the Azov basin by means of an auxiliary current from neighboring basins became unrealistic. What kind of water transfer volume from a neighboring basin can we talk about if there is nothing with which to compensate for this withdrawal? We are also naturally concerned about the fact that the plan study of the Rostov-Krasnodar Canal (basic directions) leaves out the vitally important question of the pollution of Don water in the area of proposed transfer. There is also no analysis of the toxicological situation characterizing the degree of suitability of the water for further use in the production of food.

It is completely apparent that in seeking out additional reserves of fresh water it would be expedient to follow the path of continued regulation of water consumption, of the more efficient use of river current, of the accelerated transition of all water users to circulating water supply, and the transition of the rice industry to a herbicide-free cultivation technology. Only with such an approach is it possible to decrease the negative effect of negative processes which have stemmed from the further development of irrigated farming and which results in serious ecological violations.

In connection with this the proposal of the department of agricultural reclamation of the Kuban Agricultural Institute regarding the regulation of water consumption and a significant curtailment in nonproductive water losses is deserving of the most serious attention. A change in the structure of sowing area and the transition to a six-field crop rotation in rice sowing, the introduction of new rice varieties with a shorter vegetative period, as well as the transition to a hybrid-free cultivation technology will, according to the calculations of scientists, achieve a savings of over 1 billion cubic meters of water. Strict economy and a careful attitude toward every drop and not a transfer of water from neighboring water basins, will enable us to preserve the most valuable qualities of the Kuban chernozems and to revitalize the fish treasures of the Azov Sea.

This kind of approach to changes in additional volumes has a clear advantage both from an economic point of view and from the position of improving the ecological situation in the kray.

The following is the commentary of Ye. B. Velichko, doctor of agricultural sciences and professor of the Kuban Agricultural Institute:

"The problem of the efficient use of water resources in the southern part of our country, as an integral part of the general problem of natural conservation, has reached

an extremely urgent level at the present time. The work begun by USSR Minvodkhoz to transfer enormous amounts of water from the northern regions of the country to the south, the gross interference in the water balance of the Aral Sea by means of the cutting off of the Kara-Bogaz Gulf from the sea have brought severe losses to the lowlands of Amur-Darya and Syr-Darya and have killed the naturally-developed biosphere of the Aral Sea and of the Aral region itself.

"The transformation of the water industry in the Kuban basin that is being implemented by Minvodkhoz, enables us to confirm with complete assurance that if things proceed in this manner the southern Kuban and its natural riches can expect the same ecological catastrophe as has already befallen the lower course of rivers feeding the Aral Sea. Using the Rostov-Krasnodar Canal as a substitute solution to a problem raised long ago concerning the reconstruction of flow in the old branches of the Kuban delta—this is the fastest route to that same kind of tragic end that resulted in the Aral area because of Minvodkhoz projects.

"Oriented in his job description toward saving the fishing interests of the Kuban basin, K. Chesnikov at the same time makes a number of recommendations that respond to the tasks of protecting all of nature in this region. His article deserves attentive discussion and assessment by a wide circle of the kray's public."

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## FORESTRY, TIMBER

### Year-End Results for Ministry of Forest Industry Reported

18240117 Moscow LESNAYA PROMYSHLENNOST in Russian 26 Jan 89 p 1

[Article by V. Alekseyev and O. Borisov: "The Year's Results Summed Up"]

[Text] On 24 January there was an expanded meeting of the USSR Minlesprom [Ministry of the Timber Industry] Board and the Presidium of the Trade Union Central Committee. It discussed the fulfillment of the plan for the sector's economic and social development in 1988 and during three years of the five-year plan as well as measures to fulfill the 1989 plan.

Reports were heard from deputy ministers N. S. Lyashuk, F. G. Liner, V. N. Tokmakov and V. A. Sentyushkin, from first deputy chief of the Main Technological Administration for the Production of Cellulose, Paper and for Forest Chemistry B. S. Zhuravlev, and chief of the Main Economic Administration N. A. Medvedev.

The following gave reports: general directors of territorial production associations V. S. Lykov (Arkhangelseprom), S. V. Kuznetsov (Permlesprom), V. N. Shutov

(Tomlesprom), Ye. T. Kurstalev (TNPO Yugmebel [Southern Furniture], A. V. Kononov (Syktyvkar Forest Industry Complex Production Association), first deputy ministers, general directors V. V. Pilipenko (Dallesprom [Far East Lesprom]) and N. R. Nosyrev (Irkutsklesprom); director of the Kama TsBK [Pulp and Paper Kombinat], G. Yu. Tolman, director of the Karellesprom Comprehensive Porosozerskiy Lespromkhoz, V. A. Terebov, director of the Monzenskiy DSK [House Construction Kombinat], N. N. Osipov, department chief at USSR Gosstab, and M. V. Kuleshov, Chairman of the Trade Union Central Committee.

M. I. Busygin, Minister of the Timber Industry, spoke in conclusion.

It was noted that industry in the ministry, working under the new conditions in 1988 fulfilled the industrial production plan by 105.2 percent in value terms; the plan was 102.7. It fulfilled the annual plan for timber haulage, the production of commercial cellulose, paper, including newsprint, fiberboard, non-food consumer goods, including furniture, paper products and wallpaper. There were substantial increases over the 1987 levels for all the most important parts of the plan.

Two hundred seventeen million cubic meters of timber were hauled, 194.2 million cubic meters of commercial timber produced (a shortfall of almost 6 million cubic meters). Other figures are: commercial pulp—3,281,700 tons; paper—5,922,000 tons; lumber—37.7 million cubic meters; furniture—7.25 billion rubles; wallpaper—471.5 million standard units.

In general, the ministry met 97.5 percent of its contractual obligations to deliver products, with 369 (almost half) of the enterprises failing to meet their delivery plans. The national economy was shorted 650 million rubles worth of products: 1.7 million cubic meters of logs, the same amount of chips and lumber; 168,000 cubic meters of veneer, 36,700 cubic meters of cardboard; 24,000 tons of feed yeasts; 190,000 cubic meters of chipboard and 151,000 cubic meters of dunnage.

These associations worked more poorly than others: Irkutsklesprom, Sakhalinlesprom, Dallesprom, Zabaykalsklesprom [Trans-Baykal Lesprom], Kazmebellesprom [Kazakh Furniture and Lesprom].

Associations economic performance improved. The ministry's above-plan profits were 417 million rubles, a 19.3 percent increase over 1987.

Labor productivity increased by 7.9 percent over 1987. The planned rate was 3.4 percent. The entire increase in commercial output was attained through increased labor productivity.

The normed ratio between the growth in wages and in labor productivity was attained.

Several measures were taken to accelerate scientific and technical progress.

Construction in the sector made use of 2,207,000 million rubles in capital investments. These plan indicators were fulfilled: introduction of capacity for timber haulage, for the production of lumber, fiberboard, furniture, veneer and cardboard; for introducing housing, preschool institutions, general educational schools, clubs, hospitals and outpatient clinics. These indicators were not: introduction of capacity for producing chipboard, cellulose, paper and facilities for waste water treatment.

In spite of considerable overfulfillment of the profit plan, the financial situation is only slowly improving. At several enterprises it is serious due to insufficient circulating capital and violations of plan discipline. On 1 January 1989, 320 enterprises were losing money. During the past year the number of such enterprises declined by more than 100.

The speeches also cited other basic reasons for the sector's uneven work and plan unfulfillment: lack of balance between targets for raw material supplies and production capacity, incomplete supplies, unevenness in the activities of some subsectors, associations and enterprises, low rates of enterprise reconstruction and technical reequipment, weak engineering support, insufficiently reliable ties with related units, violations of ecological requirements. There is poor organization, the inability or lack of desire to actively introduce the most effective forms for organizing production and labor, as well as economic illiteracy.

The meeting discussed ways of reaching the 1989 targets and analyzed the activities of subsectors and associations in January.

The conversion of enterprises to lease and cooperative forms of labor organization is a new stage in the development of cost accounting relations. At present 41 enterprises and 485 brigades are operating on lease contract. In the ministry there are 635 cooperatives in operation, 309 of them producing non-food consumer goods, 134 are service, 79 produce industrial products and 36 are construction and other. During the report year cooperatives produced 40 million rubles worth of goods and services.

On 1 January 1989, 36 enterprises were using the second model for cost accounting, 33 enterprises and associations were participating in the experiment to use the net product indicator. As of 1 January 1989 the following had not signed contracts for delivering industrial products in 1989: Tomlesprom, Sakhalinlesprom, Tsen-trobumprom and Vostokmebel Associations, and the Belorussian Ministry of the Timber Industry; 99.2 percent of the contracts for non-food consumer goods have been signed.

A decree states that ministries of union republics, managers of administrations and associations and kray and oblast trade union committees should consider the main direction of labor collectives work in 1989 the implementation of the conclusions of the 19th All-Union Party Conference and the decisions made at the July (1988) Plenum concerning problems in the country's socio-economic development.

It is suggested that they take extreme measures to save state resources, reduce centralized capital investments, utilize above-norm and surplus goods and carry out measures to increase incomes through increased efficiency in production, resource conservation, the elimination of money losing enterprises and nonproductive expenditures. It is necessary to more extensively apply experience in introducing collective and lease contract to improve production efficiency and enterprises financial situation, and to bring cost accounting to each section, brigade and work place.

The use of the second model for cost accounting was deemed a very important direction for improving work efficiency and good final results. The cooperative movement should be further developed, cooperatives organized to raise sunken logs, gather logs left at cutting areas, along railroad lines and timber floating routes, and to produce consumer goods.

Additional organizational, technical and economic measures will be implemented to unconditionally fulfill production and delivery plans.

Priority should be given to developing the social sphere, constructing housing, social, service and cultural facilities and to creating healthy and safe working conditions.

Summing up the sector's work results for 1988 and the past three years of the five year plan was an extremely serious and, one could say, step by step process. There were prolonged preparations for the joint session of the ministry and the trade union central committee presidium. Hundreds of workers were involved and reports compiled. Dozens of leaders—ministers, chiefs, general directors and ordinary directors were called to the meeting. There was not a single empty seat in the hall.

It would seem that all this should be based upon serious, critical and constructive discussion. Of course, there was a discussion, it went on all day until dark. However, as our partners, Japanese businessmen, remark ironically: Russians love to make long annual reports, but do not love to engage in daily calculations of profits and losses.

From the very beginning the discussion flowed along customary channels, the painful old patterns of previous years. The tone was set by reports from subsector managers. With the exception of the report by N. A. Medvedev, their talks were no different than speeches from the rostrum with regard to the level of analysis, the



penetration into the urgent problems of life and innovative approaches to problem solving. There were the same old assertions that many units in the sector are working irregularly and unsatisfactorily, that other units and the weather are undermining them. Familiar tunes.

The invited guests talked in the same spirit. The word "perestroyka" was frequently heard from the tribune, only one did not sense it in the thinking or striving to turn affairs in the needed direction.

Just what sort of perestroyka is it when the number of money losing enterprises is only very slowly reduced, when contracts with customers are not fulfilled, cost accounting only makes progress with difficulty, and resources for major construction are still dissipated? Also, timber haulage has been "limping along" since the beginning of the year because of frosts, thaws and flu epidemics. Already in January there was lagging in haulage, bucking and producing commercial timber, chips, furniture and other items. How can one not but recognize these dear "objective reasons?"

"Why didn't you meet the target for mine props?" the minister asked N. Lyashuk.

"It's difficult to say. We have to increase responsibility."

"Why was so little housing built?" they asked V. Sentyushkin.

The answer was exactly the same.

Almost a half year ago when the board asked what was hindering the introduction of lease contracts in associations, M. Gayday, the general director of Vologdale-sprom, waved his hands and said: "Only the devil knows..."

What has changed since then?

N. Medvedev was correct: Most managers still do not want to more boldly use economic tools. Even the strictest administrative measures will not work here. It is not orders or shouts that are needed. The ruble must work.

Reprimands will not produce results, if local units do not understand that only the scrupulous analysis of all losses, especially from fines, will make it possible to reach financial goals. This is already being done in Novgorodlesprom, in the Belorussian, Latvian and Lithuanian Timber Industry Ministries. In its turn the sector staff should understand that associations and enterprises need not only strict control, but also special operational help. Painfully many complaints have not yet been addressed to various main administrations. These questions are literally overwhelmed by problems of cubic meters, percents and spare parts. These questions have not found their place in the draft of the board decree,

although the trade union central committee made suggestions. It is just like the way a heavy crawler tractor at a logging area crushes the undergrowth. Not enough people are concerned about how the workers are living and feeling, the difficulties they have with production and daily life.

M. Kuleshov, the trade union central committee chairman repeatedly mentioned this to the board, but his words bounced off the managers like peas off a wall. He cited scandalous instances where workers had to wait five days to a month for their wages, how not enough attention is given to housing construction, about the work time losses due to injury and illness. He was energetically supported by the minister. But, will their words penetrate the technocrats asphalt paving of indifference. Hopefully, in the final account they will pay attention to the human factor. Can it really not be clear that no matter how much modern equipment and techniques we introduce, they will not give returns if we do not change attitudes toward people? Towards people and not towards labor power.

Things are not going easily with perestroyka. It is difficult to overcome the inertia of stagnation and old thinking. However, life urgently demands that we push us forward, not fearing difficulties, gaining experience, the ability to work under conditions of democracy, radical economic reform and extensive glasnost.

### Plans for Restructuring Forestry Industry Outlined

18240121 Moscow LESNAYA PROMYSHLENNOST in Russian 5 Jan 89 p 2

[Article: "Draft Concept for Restructuring Forestry Prior to the Year 2005: Basic Tenets"; last three paragraphs comprise conclusion]

[Text] We plan to accomplish the following tasks prior to the year 2005:

- complete the conversion to a system of comprehensive forest utilization;
- create a new economic-management mechanism ensuring that the collectives have a motivated interest in the results of their labor;
- transform forest income into a source of cost recovery for this sector;
- ensure the increase of labor productivity in this sector by a factor of 2.5-3;
- complete 3.9 million ha [hectares] of protective plantings;
- actively expand the area of the state forest resources to be preserved up to 1.157 million ha;

—raise the amount of wages earned by forestry employees to an average of 370-380 rubles a month.

#### Improving the economic mechanism

The need to overcome stagnant phenomena in the sector conditions, above all, the restructuring of economic relations, the decisive departure from the traditionally used outlay mechanism, the conversion of the sector to cost accounting, the introduction of evaluating management by the end results achieved. In order to correctly regulate economic activity in the forest, we must set up a system of paying for all the resources being utilized, and not just for certain types of them. At the present time what is paid for is substantially only the timber, and this distorts the economic essence of forest utilization.

The economic system of managing this sector cannot function without a precisely adjusted **financing**. The following sources for financing forestry are the traditional ones: payment for resources being used, services, penalty fines; also payments from the state budget for environmental-protection and other measures.

The most important source for covering the outlays incurred in forestry is the **per-stump payment**; and its importance will continue into the future. But the existing economic mechanism, directed at registering all the per-stump payment in the state budget and the distribution of the entire timber-cutting fund to the customers separates the profit of forest utilization from the interests of the labor collectives. We must create a new economic-management mechanism would ensure that the labor collectives have a motivated interest in the results of their labor to cultivate mature [ripe] timber. Therefore, a certain portion of the calculated timber cutting (at least 15-20 percent) must be left at the disposal of the *leskhoz*es' labor collectives. It could be sold on a competitive basis or used to obtain commercial products.

The increase in timber taxes which is proposed to begin in 1990 would ensure a substantial **growth in forest income**. We must transform it into a source of cost recovery for this sector.

**Payment for services** is the second most important source of economic development for forestry, but it should be collected for all kinds of services. The most important form of service must be leasing out suitable forest areas to other sectors of the national economy, to cooperatives, public organizations, and citizens. We must provide for a broad-based development of leasing relations.

In order to carry out ecological measures of major, inter-sectorial importance, for example, in order to prevent the devastation of territories in Kazakhstan and the Central Asian republics, to create suitable forest-pasture lands there, to reinforce the bottomland deposits of the Aral Sea, etc., we must allocate special funds from the state budget.

Following the example of other, foreign countries, it would be feasible to set up an **insurance forest fund and incentive funds** for forestry by means of collecting revenues from penalty fines, sanctions, and forfeits.

We must create a cost-accounting mechanism at enterprises. The actual foundation of organizing it should be the planning-calculated prices with their differentiation as to the quality of the end results.

The collective contract must be recognized as the leading form for implementing such an economic mechanism. Of all the sectors in the national economy, forestry has the lowest capital-labor ratio. The volume of capital investments in this sector is extremely low and is insufficient for its development.

The sector needs an annual renewal of the active portion of its fixed capital by at least 10-12 percent. The accelerated development of forestry's machine-building base is a vitally urgent task. Our present-day machine-building plants have remained at an essentially low capacity, and they are poorly equipped with repair shops. They need to be radically [basically] modernized.

#### Reforestation

Every year in the USSR reforestation is carried out on an area of more than 2 million ha. But, even with this, an average of as much as 2 percent of the area of forest crops is lost every year, including 1.3 percent in the USSR's European part and 2.6 percent in its Asiatic part. An undesirable shift of species is occurring in large areas.

Forest seed culture on a selective-genetic basis must become the decisive element in transforming reforestation. Only the first few steps have been taken along these lines. We need to create selection centers and hothouse-nursery for the purpose of providing forestry enterprises with high-quality planting materials.

A sharp rise in the quality of planting materials must become the second link in improving reforestation. Every year this country grows 5.5-6 billion seedlings and slips, which is sufficient for creating forest crops. At the same time the sector frequently experiences a shortage of planting materials and often cannot provide them to closely allied fields. We must grow planting materials in forest nurseries, based on the comprehensive mechanization and utilization of seeds from forest-seed plantings and sections, while, in the future, drawing on only the elite selections. We must introduce mechanized assembly lines for producing containerized seedlings and bring their production up to 8-9 million units by the year 2005.

We are confronted with the task of restructuring forest-crop production on the principles of cost accounting, having set the wages of workers, as well as those of engineers and technicians depending upon end results, precisely specify the methods of reforestation by regions, increase our attention to protecting young growths

[shoots] and introducing payments to forestry workers for carrying out this measure in amounts commensurate with expenditures with expenditures on sowing and planting forests. Plantation-type forest cultivation will be expanded at the consumer centers of pulp-and-paper enterprises.

Some 315 million ha of agricultural lands in this country require forest-type protection. The existing protective plantings constitute only a fourth of the needed amount. Too few completed systems have been created. By the year 2005 we need to complete 3.9 million ha of protective plantings, including 660,000 ha of field-protecting belts. They must be planned in the form of a state order, since it is necessary to allocate lands in a timely manner in order to carry out these operations.

We need to ensure the promulgation of forestry measures for the care and modernization of existing protective plantings and to increase the area of forest-type pastures in the desert zone.

Reforestation must be linked with hydro-type forest reclamation, allowing us to increase forest productivity. Advancing to the forefront here is the problem of repairing and restoring the existing drainage network. In order to do this, we must create a scientific base, as well as a new complex of machines and motor vehicles. The volume of forest drainage must reach a level of 200,000 ha.

#### **Forest organization**

The mechanism of restructuring forestry will be put into action by the forest organization. The latter must ensure the development of long-term concepts for the sector's development, its basic directions, and drafts of the state five-year plans; it must specify scientifically justified norms for forest utilization, the volumes of reforestation, caring for the forest, along with the system for preserving and protecting it.

The functions of the forest organization will also include planning forest clearings for periods 10 years ahead, establishing the main areas to be cut and their material-monetary evaluation as to the volume of estimated timber clearing and in accordance with the cutting plans.

In conducting a forest inventory, a cadaster-type appraisal of the forest resources will be conducted, as well as setting up apportionment and aggregate data banks (for example, the forest resources, calculated timber clearings, timber-clearing resources, forest crops, and the forest's food resources). Provisions are being made for drawing up long-range programs for the optimal utilization and expanded reproduction of the forest resources.

**The forest-organization draft plan must become a legal and technical document, defining goals and long-term strategy, scientific, technical, and economic norms, as**

well as the plan for the forest economic activity for the forthcoming auditing period and the next five-year plan, as coordinated with the problems to be solved for each oblast, kray, autonomous and union republic.

Strengthening monitoring controls on the status quo will be achieved by means of using the materials of aerial photographs, ground observations, the apportioned, aggregate, and cartographic data banks, and involving the forest-organization services in this work.

#### **Comprehensiveness of forest utilization**

**Forest utilization must encompass all types of forest resources: timber, non-wood raw materials, useful characteristics of a forest.** We must ensure the obtaining of the maximum amount of useful end product from every cubic meter of finished wood, as is already done, for example, by the Kama Lespromkhoz. There must not be any concessions made to loggers who are engaged in non-optimal forest utilization and destroying the forests' raw-material potential.

We must create forestry modifications of the automated and semi-automated lines used for processing timber on the basis of serially produced equipment; we must also master the technology of producing new types of materials, for example, wafer-type slabs.

It is necessary to employ all measures to expand the utilization of the food and animal-feed resources of the forests.

Of great importance will be the conversion to a **comprehensive conduct of a hunting system**, which is now yielding a commercial product output of only about 70 rubles per 1,000 ha of suitable lands; this is only one-tenth the amount produced in most European countries.

A comprehensive system and centralized administration of hunting will allow us to increase the total amount of game-meat products obtained by 15-20 percent by 1995 and by 30-40 percent by the year 2000, as well as to ensure the preservation and improvement of the places inhabited by the fauna being hunted.

**Recreation** will become an important element of comprehensive forest utilization.

Intensification of scientific forest utilization requires that we accord the status of **preserves and national parks** in accordance with the functions assigned to them, centralize their administration, and, on this basis, to ensure the implementation of an integrated scientific and technical policy and the principles of conducting forestry on specially safeguarded territories.

### **Saving forests**

The present-day level of protecting forests does not measure up to future requirements. Moreover, it is marked by crisis-type phenomena. Thus, circumstances have been sharply exacerbated in connection with the use of chemicals. As a result of the accident at the Chernobyl AES [nuclear-power station], a zone of radioactive pollution has come into being.

We must develop and introduce a system of measures ensuring the steady functioning of the forest industry and the use of its products on polluted territories.

In order to sharply upgrade the level of forest protection, we must enlarge the territory of the state forest resources, to be encompassed by regular observation of the condition of plantings and accompanied by active methods of combatting forest pests and diseases. We must sharply increase the effectiveness of discovering pathological manifestations in the forests, reduce the sources of harmful influences on the forests down to the level of the ecological norms, as well as cut in half the damage inflicted by the mass multiplication of pests.

**Protection from fires** must be conducted in all the forests of our country, based on the creation of a special system of forest-fire administration.

In order to do this, we must expand by the year 2005 the actively protected area of the state forest resources to 1.157 million ha. First we must halt the increase in the number of forest fires which arise because of human blame; then we must ensure their gradual reduction beginning in the year 2000 by 5-10 percent to the year 2005, as well as achieving a reduction in the average-annual damage inflicted on the national economy by major forest fires by 60-70 percent by the year 2005.

### **Accelerating scientific and technical progress**

The scientific and technical potential of the USSR Goskomles [State Committee for Forestry] is considerable. However, the results of the scientific research have not been effective enough. Technical policy in forestry ought to create a new scientific structure for this sector, one ensuring a substantial breakthrough in improving sectorial technologies, the organization of forestry, and forest utilization. The solution to this problem will be begun by the formation of the "Forest" Program, which will combine scientific potential, the financial, and material-technical resources of forest departments and VUZ's, and channel them into a step-by-step solution of the most important problems. The radical restructuring of science in the direction of increasing the efficiency of its results will be achieved by converting sectorial institutes to cost accounting, self-financing, as well as concluding contract agreements on a competitive basis. The sector's scientific research institutes will strive to develop direct foreign ties.

In order to upgrade the effectiveness of science and for closer ties with production, provision has been made to organize scientific-production associations. Studying the problems of organizing and conducting work in mountain forests (their area constitutes 40 percent of all forests) will be concentrated at the All-Union Scientific Research Institute of Mountain Forests, which will be established at the base of the Mountain Forestry Institute. Experimental Forestry Stations will be organized in the regions of the Aral Sea, the zone of the BAM [Baykal-Amur Mainline], and Western Siberia.

The status of the experimental forestry stations will be made more precise, and they will be transformed into specialized scientific-production subdivisions, engaging, in the first place, in growing planting material, including cedars, on a selective basis and incorporating new technologies into the production facilities.

The work of the NII's [scientific research institutes] will be evaluated in accordance with the end results achieved.

It is particularly important to restructure the NII and OKR [experimental-design work] in the field of **mechanization**.

The principal shortcomings of scientific research on mechanization are time delays in developing machinery, as a result of which labor productivity is not increasing vigorously enough. The quality of developing drafts of ideas remains low, and there is a lack of motivated interest on the part of scientists in high end results.

In connection with this, provisions have been made to **convert to cost accounting and self-financing all NII's conducting research on sectorial mechanization**, to make the wage system in them dependent upon reducing the time periods required for development, to create fundamentally new solutions which will be in no way inferior to the best foreign analogues. Contests will be held to conclude contract agreements for developing new machinery and mechanisms with pre-assigned characteristics, ensuring an increase in labor productivity in this sector by the year 2005 amounting to a factor of 2.5-3.

The design bureaus will accept for development only those scientific proposals which guarantee high economic and social effects, as well as measuring up to strict ergonomic and ecological requirements. It is important to achieve the output of machinery and mechanisms which are competitive in the international market, primarily in the CEMA countries. We must introduce a bonus system from cost-accounting funds for the inventors of new equipment for increasing the reliability of machines, reducing their material consumption and energy consumption.



Provisions have been made to sharply increase the effectiveness of tests, converting them to cost accounting. We will accelerate the design of equipment measuring up to production requirements and putting it into serial production. We must not allow low-quality and poor-efficiency equipment to reach the production line.

Machine-testing stations will be assigned the functions of constantly exhibiting new models of logging machines and mechanisms, as well as demonstrating their parameters and production indicators.

Logging machine-building will be converted to the production of systems complexes of machinery and mechanisms modified to take into account the prevailing conditions at the places where they will be operating.

The sector will be computerized.

Provisions have been made to substantially expand external [foreign] scientific, technical, and economic ties and widespread production cooperation with the socialist countries. Direct ties will be formed between the enterprises and the NII's; joint enterprises should be founded.

The structure of exports will be improved by means of selling processed lumber and non-wood forest products on the foreign market.

#### **Priority development should be accorded to the social sphere**

The social sphere in this sector is at an extremely low level. Satisfaction of forestry employees' demands with respect to many indicators is lower than the All-Union level by a factor of 3-7. Therefore, people are quitting this sector.

Provisions are being made for high-priority development of this sphere so that the workers in forestry may reach a standard of living which corresponds to the social norms of the USSR Gosplan. The amount of wages must increase to a level of 370-380 rubles per month by the year 2005.

We need to achieve a radical improvement in personnel stability. We will set ourselves the task of making sure that by the year 2005 at least half the working personnel are trained via the vocational-technical schools and educational centers.

Under the conditions of cost accounting the mechanical administration of production by the system of "orders-execution" has become unacceptable. We must retrain 13,000-14,000 foresters, channel them into creative work providing them with rapid economic development [advancement] and technological improvement of the sector.

We must involve sectorial science in solving the personnel problems. We must organize educational-scientific-production complexes in places where there are no VUZ's. We must reorganize the entire system of vocational education in this sector. And we must create prior to 1991 an All-Union system of vocational guidance and labor training for the forestry occupations.

**In the area of labor safety and protection** we must reduce on-the-job injuries by as early as 1995 by at least 20-25 percent, by the year 2000—by 30-40 percent, and by 205—by 40-50 percent, as compared to the present-day level; and we must achieve the maximum reduction in the number of workers engaged in heavy physical labor. We must completely eliminate women's jobs under onerous conditions.

#### **Control system**

The existing system of monitoring controls in forestry is not effective enough. It is basically keyed on a superficial check-up of work being performed, and this does not measure up to future requirements. A topnotch, environmental-protection and constantly growing social role for forests requires monitoring controls on the quality of the forests, their condition, and the level of anthropogenic, and other influences on them.

We need to create an effective system of state controls, including monitoring the forests by using aerial photography and land-based sampling methods; targeted, specialized controls on individual objects or problems; comprehensive, periodic, forest-organizational controls; and inspection-type, regional controls. For this purpose, we will develop a methodology for analyzing and evaluating the condition of the forests, the quality of the measures being conducted in them; a system of legislative acts, norms, and rules regulating the procedure for the functioning of the state monitoring-control organs.

We must achieve an observance by all ministries, departments, state, cooperative, and public organizations, institutions, and citizens of the established procedure for utilizing the forest, the rules for conducting forestry, reproducing the forests, their safeguarding and protection. All forms of monitoring control will be based on the economic methods.

In publishing in this brief form of exposition, the Concept for Developing Forestry for the Period until 2005, the USSR State Committee for Forestry invites all readers of this newspaper to take an active part in discussing it. The proposals and remarks received will be examined in a very attentive manner and will be taken into consideration.

Send your responses and suggestions to USSR Goskoms [State Committee for Forestry] (117, Moscow, Novocheremushkinskaya, 69) or to the Editorial Offices of the newspaper LESNAYA PROMYSHLENNOST (103645, Moscow 25 October Street, 17).

The first session of the USSR Goskomles devoted to a discussion of the Draft Concept will be held on 17 January 1989.

### Central Funds Necessary for Renewal of Forest Resources

18240115A Moscow LESNAYA PROMYSHLENNOST  
in Russian 17 Jan 89 p 2

[Article by O. Senichkin, forestry engineer: "A Centralized Fund is Needed"]

[Text] The urgency of the situation with regards to the organization of forest use has not declined. Neither has the question of rational operations in forests, ways of overcoming stagnation phenomena in forest resource reproduction, improvements in our forests' quality and productivity and in saving this great natural asset of the Soviet people. While in recent years this could have been considered a problem for specialists, today, with the sharpening ecological crisis it has become social, i.e., universal. Things can no longer be put off, making light of waste and dismissing all shortcomings by referring to high economic goals. We are forced to develop a special type of concept—perestroyka calculated to bring the needed order to forests, to unwaveringly observe forestry requirements and to give consideration to present and future people, with high responsibility for the future generation.

The norms by which reforestation is given budget allocations (working resources) do not include the necessary scientifically based expenditures. In addition to centralized budget financing, enterprises also use their own resources, mainly from the sales of timber from stand improvement cutting. As a result, such cutting leads to the removal of the best trees.

How can these shortcomings be eliminated? It is necessary to create a centrally formed fund for the reproduction, protection and inventory of forest resources. It should finance forestry work according to stable scientifically based norms and stimulate their qualitative improvement.

The sources for this fund: payment for the use of resources (stumpage fee), lease payments, receipts from stand improvement and other cuttings.

It is hardly proper to set it up on a sectoral level. This would make the performance of forestry work depend upon loggers' ability to pay and upon their financial discipline and would not guarantee steady cash flows. In other words, there would be a considerable increase in the dependence of reforestation upon enterprises' industrial activities.

Therefore, resources should be sent to the state budget. Forestry organs should, on a normative basis, obtain from the budget a centralized fund for filling state orders and other work in forests.

As was suggested by M. M. Orlov in 1899, it is advisable to introduce the collection of loggers' cash bonds to guarantee that cutting areas be cleaned up and that undergrowth be protected.

The contract should become the basic form of organizing forest culture work. Its introduction first requires the development of scientifically based norms for planting and growing artificial plantings.

The final product of reforestation is valuable species of young trees and forest crops transformed into a forest covered area. This is quite a long process. Usually the most expenses are in the first stages, preparing the site and soil, planting the trees and assuring their high survival rate. It is necessary to have norms or state standards for various aged forest crops to determine how to pay for labor in the intermediate stages. Young and adult trees of economically valuable species should become products (commodities) profitable to produce. After the development of regional documents it is advisable to refine them and introduce them at several enterprises as an experiment.

The draft to the Concepts do not discuss reforestation at comprehensive enterprises in the USSR Ministry of the Timber Industry. It is important to precisely state that these enterprises should completely meet their annual requirements for seeds and seedlings.

### Forestry Official on Credit Experiment

18240115b Moscow LESNAYA PROMYSHLENNOST  
in Russian 4 Feb 89 p 1

[Article by A. Lagunov, deputy chief, Main Economic Administration, USSR Ministry of the Timber Industry: "The Ruble Should Work—An Experiment has Begun on Mutual Credits for Sector Enterprises Through the Banking System"]

[Text] Last year the USSR Ministry of the Timber Industry and its subordinate enterprises worked on full cost accounting and self-financing. This has considerably improved the sector's economics. The ministry's profit plan was overfulfilled by 11.5 percent and 400 million in above-plan profits were obtained. It is possible for many enterprises to make above-plan allocations to the economic stimulation and production development funds. It is sometimes not possible to spend these due to the existing situation.

It is especially difficult to utilize funds for capital investments. In some cases a collective decides to accumulate resources to build housing, while in others the above-plan resources in the production, science and technology development fund are not spent because there are no materials, design-estimation documentation or equipment. The report for 9 months of 1988 shows that residuals in the social development fund for the entire ministry increased by a factor of 2.7 compared to the beginning of the year, reaching 305 million on 1 October

1988; while the production, science and technology development fund increased 1.6 fold, reaching 279 million rubles. For these funds alone the residuals increased almost by 300 million rubles over 9 months.

How can these quite large resources be best used? After all, money should not sit still. It should "work," earning profit for an enterprise. Some enterprises have considerable residual resources, but, for many reasons cannot use them, while others are experiencing financial difficulties and are ready to pay for loans to support the continuity of the production process and to make changes.

In order to remove these difficulties and to improve the efficiency with which circulating capital is used, starting in February, the ministry and USSR Promstroybank [Industrial Construction Bank] began an experiment on accumulating and more rationally using temporarily free resources formed in the sector's enterprises. In this experiment enterprises having free resources voluntarily make deposits in accounts in Promstroybank institutions serving them. These deposits can be withdrawn. Enterprises serviced by other specialized banks make deposits in operational units of Promstroybank oblast administrations.

Bank institutions pay these enterprises from 1 to 4 percent annually, depending on the term of the deposit (demand deposit—1 percent, 6 months—2 percent, 1 year—3 percent, 2 years or more—4 percent). If a deposit is withdrawn early it receives the interest rate for the unlimited term.

Enterprises desiring to open an account with their temporarily free money should inform the ministry's Main Economic Administration of the size and term of the deposit. After this, the institution servicing the enterprise will be given instructions on signing a deposit contract. The contract states that Promstroybank will return the money at the set time and that payments will be made for using the enterprise's money.

Within the limits of their accumulated sums the ministry and Promstroybank give additional credits to enterprises needing it. These credits are for temporary needs, making up for shortages of circulating capital and for other purposes. They are to be paid back to the bank within a specific time stated in the contract. The enterprise borrowing the money pays a contractually agreed upon interest rate to Promstroybank.

The ministry's Main Economic Administration and USSR Promstroybank examine the enterprises arrangements to return the credits. The transfer of resources is covered in a contract between USSR Promstroybank and the borrowing enterprise specifying the interest rate and the terms and times for paying back the credits.

Entrepreneurial managers of enterprises and organizations making use of the possibility to deposit unutilized resources in bank accounts will undoubtedly obtain great advantages. This is profitable to the labor collective, the sector and the country!

## POLICY, ORGANIZATION

### Strategy, Tactics of Capital Construction Examined

18210009 Moscow PRAVITELSTVENNYY VESTNIK  
in Russian No 6, Mar 89 p 6

[Article by V. M. Serov, Deputy USSR Gosplan Chairman: "Capital Construction: Strategy and Tactics"]

[Text] Not so long ago we spoke with pride that our state is not sparing in its enormous capital investment for gigantic construction projects, since it is all in the name of man, for the benefit of man. Not always, by far, has it turned out to be beneficial. Uncompleted construction now amounts to more than 150 billion rubles' worth. Material resources have been consumed, and hundreds of thousands of construction workers have been paid. But their earnings have not been supported by large amounts of commodities, since that output which should have been produced at the combines, plants and factories they erected still does not exist.

The radical economic reform revealed sore spots in the economics of capital construction. It showed that, without a precise understanding of the aims of investment policy, there can be no highly efficient economy. Unhealthy production relationships in capital construction intensify inflation processes and hamper the realization of contemplated programs for raising the people's welfare and for reequipping branches of material production.

Construction quality has become a national calamity, which at times has led to tragedy. The consequences of the earthquake in Armenia can confirm this. It is obvious that the number of dead could have been fewer if construction quality had been higher. There have been cases where housing in Leningrad and production facilities in other cities have collapsed.

Ecological problems also are, to a great extent, the result of the thoughtless attitude of designers and production engineers toward construction. Ignorance of ecological demands requires later that many more resources be invested in order to stabilize the situation. We have not learned to view the long term and to handle investment resources effectively, and we have not been accustomed to burdening ourselves before starting construction by making an evaluation of the possible consequences and of the role that the facility being erected will play in the overall infrastructure.

In other words, the overall level of development of the economy, of all aspects of our everyday life and, if you will, of our political thought and of the responsibility to the future of each of us who has been entrusted with making decisions on what to build, where to build, how

to build, and with what national-economic effectiveness the building is to be accomplished, is concentrated and reflected in capital construction as it would be at the focal point of a lens.

It is impossible to work out a radical prescription for medicine for the chronic illnesses of this sphere without analyzing deeply the unsatisfactory state of affairs in capital construction, without identifying the carriers of these deficiencies and their ties with other branches of the economy.

Unfortunately, there are no effective scientific developments in this area today. It is a paradox but, among the vast number of economic scientists and scientific-research institutions, no one is engaged in the area of investment policy and capital construction.

Capital construction gets much justified criticism, but few people ponder: what actually is happening in construction? As a rule, the concluding part of the investment process, although it is an important one—the construction work itself—is the only part that is being subjected to criticism. In so doing, people forget or do not take the trouble to understand that the investment process is a complicated system, and attempts to solve separately problems that are taken from the system cannot lead to radical, positive results. But there are no forecasts or scientifically substantiated developments for all elements of the investment process as a system and, unfortunately, scientific support of investment policy lags behind modern requirements. And now the USSR Academy of Sciences simply has been obligated, finally, to speak its piece.

In capital construction, as in no other branch of the economy, the boundless dictates of the command-type administrative system of management has flowered most luxuriantly and has established itself, giving birth to complete irresponsibility. In construction everyone commands—the ministries, the ispolkoms and the obkoms. Ambition and the desire to announce one's accomplishments in regard to some major construction measure leads to bankruptcy for the state and collapse of the economy.

Who, for example, insisted on construction of the Transcaucasus mountain-pass railroad? Who pushed through construction of the Kama Tractor Plant? Who fought for construction of the Berkakit-Tommot Railroad? And how many more such questions can be raised? Supervisors of high rank, in defiance of reason and economic computations, in spite of the objections of the specialists, gave the go-ahead to the next "construction project of the century." Chiefs of lower rank adopted decisions on construction projects that were a little bit smaller, but then there was a slightly greater number of them. As a result, unfinished monuments to irresponsibility, if not to say bungling, stand throughout the whole country.



USSR Mintyazhnash [Ministry of Heavy, Power, and Transport Machine Building], has a curious photographic album of "uncompleted construction projects"—facilities whose erection started 10-15 years ago and whose end is not yet in sight. And the saddest part of these stories is that no one took any responsibility for any of them—economic, administrative, or moral. The principle of the pointing finger triumphed: build here and at any price. In other words, there was no stability, no purposeful long-term investment policy aimed at observance of optimal proportions in the capital-investment structure. The fundamental role of the plan itself was disparaged by this. With adoption of the next decree about the development of some industry or region, we set new priorities, transferring capital investment there and at times forgetting that just yesterday other directions of capital investment were called priority projects. As a result, they themselves created a complete lack of balance in investments and the provisioning of resources. Before one adopted decision could be carried out, another was adopted.

Administrative and agency pressure for the formulation of plans and the absence of a deep study of the necessity and desirability of the construction, as well as the imperfection of the mechanism itself for managing capital construction, under which the contractor is motivated to expand the work front, have led to astronomical growth in the amounts of uncompleted construction. It has become almost the norm to begin construction without the required engineering, organizational and economic preparation, frequently even without a precise notion as to how much some facility or another will cost and the purpose for which it is being built, whereas the world has long since assessed construction work as being most expensive, but only the concluding step of economically justified and readied technological programs for building up the amounts of production of various types of output.

A consumers' approach to capital construction matters had been worked out. This was done according to the scheme: first, get the desired line item in the state centralized plan for capital investment, start construction, and then think about how it will turn out. In order to begin, the government is drawn in, impressed by the national-economic significance of some problem or another, and then authorization is obtained "to begin construction in accordance with various drawings and budget estimates by way of an exception." There is practically not one construction project that was started "by way of exception" that was built within the standard periods. First we create and then we think—this is our basic trouble. It happens that we build for the sake of building. The process itself acquires paramount importance, not the purpose for the sake of which a given facility is being erected. Construction for construction is absurd, a blind alley in developing an economy.

Capital investment is a river with a changing streambed, and its flow must be directed where maximum return, or profit, can be obtained. We, who have been trying

administrative methods to turn the Siberian rivers around to the opposite direction also are actually playing tricks with the river of capital investment, obtaining minimal benefit or getting none at all.

If we agree that the future of our economy depends upon the state of affairs in capital construction, then we will, perforce, be compelled to adopt radical measures for the whole set of questions—in science, design, construction and production—associated with executing investment policy.

Right now opinions are being expressed that the amount of capital investment being allocated annually to national-economic plans is simply beyond our means. This is a profound misconception. World experience has no precedent for the burgeoning development of an economy when investment is reduced. The amount of investment in the USSR is less than in the U.S. and is on a par with Japan's. However, if the sizes of the territory are compared and if the base level of the economy of the countries being compared is considered, then it becomes obvious that a reduction in the volume of construction is a strategic mistake.

In my view, a reduction in capital investment in the 1989 plan can be viewed only as a forced, short-term measure which, on the one hand, is associated with improving our country's financial situation and, on the other—and this is the main thing—serves as a measure necessary for clearing accumulations in capital construction in order to enable a concentration of material and equipment resources on more important, key facilities and thereby raise capital construction's effectiveness.

It is not the amounts that should be reduced but the front over which construction work is being performed. One can be convinced of this if the quantity of facilities of the social sphere, machinebuilding, wood-chemicals and agroindustrial complexes that are being built simultaneously is analyzed. Given the prevailing conditions, the duration of the investment process must be halved, the construction work front must be sharply contracted, and the responsibility and motivation of both clients and contractors for capital-construction effectiveness must be increased. There must be a guarantee of material and equipment support for each construction project included in the plan and a guarantee that competent use will be made of what we have at our disposal.

The strategy of the new investment policy, which ensues from the decisions of the 19th All-Union CPSU Conference, should meet the demands of the most important national-economic programs aimed at satisfying the urgent needs of the public—the Foodstuffs Program and social programs. This can be done in a short time only if we manage to get the most effectiveness from the resources invested and to set free the initiative of capital-construction participants. But, for this purpose, the administrative-command system must be dismantled,

obsolete organizational structures demolished, and control methods reexamined at all stages of the investment process. Rigid restrictions are not needed here. The control structure should correspond to the nature of the concrete construction project, the amounts of work, and the construction periods.

A principal characteristic of restructuring of the investment process is a moving of the center of gravity from budget financing to financing through the economic-accountability funds of enterprises and the financial sources of the republics and regions. In so doing, it is important to ensure observance of an optimal combining of investment through the indicated sources, and to monitor interbranch proportions accurately.

The time has come when it is necessary to convert from the free granting of financing of capital construction from state budget resources to bank credits that are given out on the basis of interest charging and reimbursement. In so doing, capital-construction priorities should be ensured by the rates of interest on the credit.

A demarcation of the rights and responsibility of state and republic control organs in implementing investment policy will promote an intensifying of the centralization principle in solving the most important problems of developing the national economy as a single goal, with self-administration of the Union republics being developed simultaneously.

The Union-republic councils of ministers should grant wide rights in making decisions about the design and construction of facilities of the social sphere and of enterprises, facilities and structures of subordinate economic activities, regardless of their budget-estimated cost, when formulating capital-construction plans for the areas under their jurisdiction. They determine independently the amounts and areas of use of capital investment financed from republic budgets. They are charged with responsibility for the logistic support of construction and for the level and degree of integration of development of the social sphere and subordinate economic activity of the production and social infrastructure.

State control organs will implement programs for developing the basic branches of industry, the construction of All-Union systems for power-engineering and transportation, and so on, as well as for developing uninhabited regions. The state order—for the introduction of capacity and facilities of All-Union importance into operation—will be the basic tool for the state's conduct of investment policy. Such construction projects should be financed not only through state-budget funds but also in accordance with agreements and proposals of the republics, oblasts and enterprises—through the funds of republic and local budgets and the resources of the enterprises themselves.

The state should take responsibility for the realism of the state orders issued and for supporting them with the required design and budget-estimating documentation and supply, equipment and financial resources.

The procedure for planning capital investment also will undergo considerable change. It will be accomplished along three lines. First of all, the plans will consider proposals for construction through the economic-accountability funds of enterprises and organizations, the financial resources of Union republics and regions, and the funds of cooperatives and the public. Then a listing of construction projects in the state order will be formulated, which will identify specific sources of financing. State budget funds will be allocated only for financing the construction of facilities that effect structural shifts in the national economy—for example those connected with the development of power-engineering, transport, communications and basic production branches and with interbranch ecological and other measures of nationwide importance.

All the remaining facilities will be built through interest-charging state credits. In the first stage, USSR Gosplan will determine the ceilings on credit resources, and the financing banks, becoming partners in the implementation of investment policy, will, through a dialog, discover the maximum benefit from guiding the credits.

A mixed form for financing capital investment is also possible, under which funds from the state budget, in the form of subsidies, together with enterprise economic-accountability funds, will be aimed at promoting the conduct of various measures. For more effective use of enterprise economic-accountability funds, construction will be financed through branch and regional investment commercial investment banks.

For the purpose of increasing capital-construction effectiveness, a system of measures that call for economic penalties for above-norm amounts of unfinished construction operations and an increase in the responsibility of all participants of the investment process, not only for the timely turnover of production capacity and facilities for operation but also for support in bringing capacity up to the rated indicators, is necessary.

In order that the mechanism for controlling investment may be coordinated, the country's design activity must be organized, the design process simplified, and the volume of engineering papers reduced.

A decision to build can be adopted only after a thorough study of the effectiveness indicators of the funds invested, the labor intensiveness, the technical feasibility, and the requirements for equipment, construction machinery and mechanisms, and materials and constructional structure, in close correlation with the standard periods for executing construction.

Hastiness in adopting decisions about construction without proper analysis of all the criteria named leads only to an increase in uncompleted construction. The widely practiced preferential financing of the construction of facilities without convincing economic justification is, in essence, a concealed form of dissipating capital investment and it must be precluded.

It must be established by legislation that construction time does not, as a rule, exceed two years. In this connection, special requirements arise for performing the preparatory operations (engineering, organizational and economic) for the construction of each facility. Additional time for doing this work must be allowed—for up to one year.

All elements of the economic mechanism in construction—planning and evaluation of the activity of construction organizations, the formation and distribution of profit or income, and the mutual relations of the parties involved—should be subordinated to one goal: achievement of a final result—the introduction of production capacity or facilities into operation.

The basis of the mutual relationship of investment-process participants is the contract. In order to raise its role and the juridical responsibility of the parties, it is desirable to evaluate their activity in fulfilling contracts and to record it with the statistical organs.

Calculations for finished construction product and for the formation of profit (or income) of construction organizations must be introduced only after the facilities (or early-startup complexes) and capacity are turned over for operation. Orientation to the final results should affect all participants of the investment process—designers, suppliers, supporting manufacturers, and transport workers. At the basis of such mutual relationships are the multilateral agreements of the contract. What will this yield? The economic and social development of construction-organization laboring collectives will depend upon execution of the contractual commitments. The construction project will be a distinctive commodity in the mutual relations of client and contractor, and this is already a step toward a market for construction output.

Design-and-construction associations have now been established in many republics, construction organizations are being consolidated, and the role of the single client is growing. That is, favorable soil will be prepared for universal conversion to the turnkey construction of housing, schools, institutions for preschoolers, and other facilities for social purposes. Such a conversion will be possible in 1990. It is obvious that the way can be paved for converting to turnkey construction for facilities for transport systems, power engineering, communications, oil and gas pipelines, and, ultimately, facilities for machinebuilding and other production branches.

Economic relationships in construction are being perfected at present through the organization of cooperatives and the gradual conversion of state construction and installing organization and enterprises of the construction-industry and the building-materials industry to the rental form of economic accountability.

The cooperative movement in construction and the rental contract are still just gathering speed, but even now the advantages of this method of economic activity are visible. Under these circumstances, it is important to provide various economic conditions and stimuli for all organizations—state and cooperative.

There is one more sore point—the gap between the strategic tasks of investment policy and the absolutely weak, neglected supply-and-equipment base for capital construction. The fact is that, of all elements of the investment process, the main attention has been paid only to the visible tip of the iceberg—construction proper. For decades we have considered the construction-industry a secondary element, without paying due attention to raising its technical level.

The level of development of the building-materials industry is impeding buildup of the construction pace. Updating of the fixed capital of this branch remains at 7-8 percent of the average pace for the nation, and wear of the active portion of it is more than 50 percent.

Right now, a shortage of new types of building materials and progressive constructional structure that are not materials-intensive is being felt practically everywhere at construction projects. Production processes in construction and at building-materials industry enterprises are technologically obsolete and poorly mechanized, not to mention poorly computerized. While allied branches (chemicals, metallurgy, machinebuilding) also supply things for construction, they do so only in insignificant amounts and in last priority.

The backwardness of construction equipment and technology are manifested graphically in the execution of restoration work after the destructive earthquake in Armenia. Definite conclusions were drawn from this, of course, but practical realization of them is still very far off.

Today, the irrational approach to developing the construction-industry base is being reflected negatively in the pace of realization of the task of the social orientation of capital construction: the nationwide desire to fulfill and overfulfill programs for social development is great, but the building-materials industry has not been capable of ensuring the production of cement, linoleum, and plumbing products in the desired quantity.



The government recently adopted decisions aimed at a radical retooling of the bases of the construction industry and the building-materials industry. Not only various manufacturers and equipment suppliers but also the whole machinebuilding complex has been enlisted for this purpose.

The radical measures that have been proposed for improving the supplying of materials and equipment and have been subjected to nationwide discussion in the draft of the General Principles for Restructuring the Supervision of the Economic and Social Sphere in Union Republics are of great importance in reducing the shortage of building materials and products.

The economic mechanism in construction, like any dynamic system, is in need of constant improvement and refinement, taking into account the experience that has been gained and the new problems that life has set forth. One cannot manage here without a collective search for new ideas and solutions. This will help, during development of the capital construction plan for 1990, to make use of new approaches and to test them with a view to bringing the construction complex into the 13th Five-Year Plan, prepared for execution of the responsible tasks that it is charged with.

#### **Bank Should Play Larger Role Funding Construction, Ensuring Completion**

18210007 Moscow DENG I KREDIT in Russian  
No 1, Jan 89 pp 24-29

[Article by G.M. Sokolov, chief of the Moscow City Administration of USSR Promstroybank, doctor of Economic Sciences: "The Bank in the System of Investment Management"]

[Text] Capital construction occupies one of the leading places among the principal sectors of the national economy. The acceleration of scientific-technical progress and the qualitative improvement of the material-technical base and production structure depend to a considerable extent on the efficiency of its implementation. The successful solution to these problems in turn "requires raising the entire construction complex to a new industrial and organizational level, and a two-fold reduction in the investment cycle, both to modernize old projects and to construct new ones."<sup>1</sup>

In accordance with the decisions of the 27th CPSU Congress, in the set of large-scale measures for radical reform of the economic mechanism, the country entered into restructuring the structural and investment policy, and is implementing economic and organizational transformations directed toward increasing work efficiency in the country's construction complex.

As the result of the measures carried out in capital construction, certain positive changes have been achieved. While in the 11th Five-Year Plan, over 843 billion rubles of capital investments were utilized,

including 179.5 billion in 1985, in 1986 the total volume of capital investments reached 193.3 billion rubles, of which 171.5 billion rubles were state capital investments. Through state capital investments in 1986, fixed capital worth 162.3 billion rubles was put into operation, or 11 billion rubles more than in 1985.<sup>2</sup> In 1986-1987, the growth rates of putting fixed capital into operation approximately doubled as compared with the 11th Five-Year Plan. In 1986-1987 the proportion of expenditures directed toward re-equipment and renovation, in the total volume of capital investments in construction, rose from 39 to 45 percent.

Qualitative shifts also stemmed from the fact that carrying out an active structural policy resulted in an increase in the volume of capital investments, directed toward the development of the sectors determining scientific-technical progress and mainly—the development of the social-cultural sphere.

At the same time, the insufficient level of positive shifts in capital construction attests to the existence of serious problems in this sector of physical production. The problems of restructuring in the investment sphere were posed at the 27th CPSU Congress and the subsequent CPSU Central Committee plenums, and are constantly expressed in the resolutions of the party and the government. Many of them have not been completely solved, however.

A situation has now formed in the sphere of capital construction when either the basic tasks, which have piled up for years and have not been solved, will be resolved in the next few years, and on this basis will become the real expected yield from the capital investments (on which the rates of accelerating the country's socio-economic development to a great extent depend), or when, if the solution to these problems is again bogged down in departmental instructions and numerous agreements, and runs into consciously posed or consciously unsurmounted barriers and obstacles, it is difficult to expect an acceleration in the economic development of the economic system in the next few years.

In this connection let us outline the main problems in the sphere of capital construction. An actual transition must be ensured to planning, financing and implementing construction in accordance with the established, scientifically substantiated norms for the duration of construction, utilizing in full measure the principles of the new economic mechanism in construction under the conditions of converting the basic participants in the investment process to full cost accounting and self-financing. An important task is to create construction stockpiles for projects to be launched in the next few years in strict accordance with the scientifically substantiated norms, with unconditional fulfillment of the state orders and contracts for putting into operation capacities and facilities (for both production and nonproduction purposes). Work must be activated to improve the investment process, introduce new methods of economic



activity, collective forms of organization and stimulation of labor, collective contracting in all units of construction and intraproduction accounting. Among the most important problems to be singled out are a qualitative improvement in the use of capacities of the construction industry; ensuring outstripping development of the material-technical base of construction; improving the financial position of construction organizations and purchasing enterprises right up to ensuring the conversion of unprofitable and low-profitable economic organs to number among the highly profitable; raising the level of all economic activity in capital construction.

On the whole, these problems can be solved in brief periods only on the condition of widescale distribution of economic management methods in the sphere of capital construction, both in word and deed.

Under these conditions, there should be a substantial rise in the role of the bank as one of the leading organizers of economic methods of management in the national economy, implementing the state approach to realizing the problems facing capital construction and interacting with all the participants in the investment process on the basis of a close economic partnership, through taking their interests into full account.

The problems of ensuring the most efficient use of capital investments, concentration of material-technical, labor and financial resources for the purpose of implementing construction in the normative periods and promptly putting the facilities constructed into operation, reducing the volumes of unfinished construction, the reserves of uninstalled equipment, including imported, and improving the planning estimates were traditionally and remain among the primary directions of the bank's activity in the sphere of capital construction. They are constantly paid unfailing attention.

In accordance with the decree of the CPSU Central Committee and the USSR Council of Ministers of 13 March 1986 "On Additional Measures To Improve Capital Construction for the Purpose of Accelerating Scientific-Technical Progress in the National Economy of the Country," the banks are constantly working with the ministries, departments, soviets and party organs and, mainly—the associations, enterprises and organizations on narrowing down the front of construction work in order to ensure the transition to constructing facilities in normative periods.

In the process of working out and forming the plan for capital construction for the 12th Five-Year Plan, about 2300<sup>3</sup> construction projects and facilities for production purposes were eliminated from the draft of the plan, and construction was halted on approximately 2800 construction sites and facilities under republic and local jurisdiction, mainly as the result of a lack of correspondence of the technical designs incorporated in them to the present requirements of scientific-technical progress and lack of provision with the necessary volumes of

capital investments to implement their being put into operation in the normative periods. In two years of the 12th Five-Year Plan the number of production projects included in the plan for capital construction was reduced by 13 percent, with a 16 percent reduction in the average full period for construction.

At the same time, on the whole for the national economy, the total number of construction projects and facilities being constructed simultaneously remains sizable—in the order of 317,000, which leads to failure to put these construction projects and capacities into operation in the established periods because of the lack of provision with the necessary amounts of material-technical, financial and labor resources. In 1987 alone the value of the unIntroduced fixed capital was about 14 billion rubles.

One of the main reasons for prolonging the construction periods is the narrowly departmental approach of the ministries, departments and purchasing enterprises to the process of forming the plans for capital construction. As a result, the problems of ensuring the high effectiveness of capital investments, material-technical supply for construction and a number of others are being solved in the process of construction. For example, the results of just one inspection of a number of sectors showed that the 1988 plan for capital construction included 350 newly begun construction projects, for the construction of which about 2 billion rubles was allotted.

Simultaneously, the transition construction projects in these sectors were not provided with the necessary amount of capital investments, which creates real prerequisites for ruining the periods for putting the appropriate capital into operation.

The state of affairs in capital construction exerts a considerable influence on the financial state of the sector itself and the national economy as a whole. The effect of capital construction on the state of the economy and the country's finances is intensified because of the transition of enterprises, associations and organizations to full cost accounting and self-financing. Moving to the foreground under these conditions is the problem of ensuring a balance for the plan for capital construction on the one hand—for financial and material-technical provision, and on the other—for the allotted limits of capital investments in accordance with the norms for continuity of construction and the existing capacities of the construction organizations.

In the last few years an extremely stressed financial situation has formed in construction with respect to the construction project-purchasers, caused by the disbalance of the plans for capital construction and financial resources for a number of ministries. This is caused by the financing of capital investments for a number of major national economic construction projects without taking into consideration their specific sources through

general appropriations on the whole for the national economy. This mainly pertains to the additional capital investments, while their total volume in 1981 amounted to 718 million rubles.

In the 12th Five-Year Plan the total volume of capital investments increased somewhat as compared with the preceding one. The growth of capital investments, however, as before, failed to a considerable extent to provide the necessary financial resources. In 1988, through general appropriations on the whole for the national economy, it was specified that over 9 billion rubles be financed. This practice must not be considered economically substantiated under the conditions of the work of the enterprises, associations and organizations on full economic accountability and self financing. The introduction of the new economic mechanism rules out the possibility of redistributing the financial resources among the enterprises and sectors of the national economy, and at the same time substantially increases the responsibility of the economic units for unconditional fulfillment of the plans for capital construction. Otherwise, they will not have the necessary conditions for economic and social development. Because of this, there remain practically no free financial resources to finance additional volumes of capital investments.

According to estimates made by the USSR Promstroybank, in 1988 the shortage of funds to finance the planned, including additional but approved in the plan capital investments was determined as 12 billion rubles.

Implementing additional volumes of capital investments without taking into consideration the specific sources of financing reduces the responsibility of the purchasers and contracting organizations for fulfillment of the planned assignments and leads to diverting resources to unfinished construction and intensifying the dissipation of capital investments. In addition, at the present stage of economic development, when the problem is posed of implementing, in a short time, revolutionary leaps in the rates of the country's economic development, this approach in planning capital investments undermines the deep bases of the economic accountability of the basic production unit, leads apriori to a disbalance and, essentially is incorporated into the plan, and in the last analysis, leads to destabilization, even without the complex situation in the sphere of capital construction.

A transition to earning the funds allotted for the economic and social development of the work collectives, including those for necessary capital investments—this is the chief way to affect the concentration of the capital investments. At the same time, there are considerable reserves making it possible to provide a balance of material and financial resources in the sphere of capital construction and, above all—a reduction in the estimated cost of construction. As analysis shows, expenditures to create new and expand, re-equip and renovate existing production facilities in our country are several

times higher than the analogous indicators in the developed foreign countries. The reduction in the estimated cost, through reducing the material-intensiveness, particularly metal-intensiveness, energy-intensiveness and labor-intensiveness of construction is a path ensuring emergence at the required level of economic development.

Therefore, major improvement is required in the process of forming the mechanism of managing capital construction and the method of drawing up its plans and coordinating them with the plan for the existing production.

The practice of forming a plan for capital construction used in the German Democratic Republic is interesting in this respect. The main and distinguishing feature of forming the plan for capital construction in the GDR is its general orientation toward extremely rapidly introducing into production the achievements of scientific-technical progress. This approach is ensured by working out at the combines the concept of updating production on the basis of efficient introduction of the achievements of science, technology and advanced experience, which is reflected in the so-called "updating certificate" or "renovation certificate." A certificate is made up for each measure and contains: a statement of the task with respect to efficient use of scientific-technical developments in the production, investment and marketing spheres; preliminarily outlined volumes and periods for introducing these developments; the conditions and potentials for marketing the new product; overall economic estimate of the effectiveness of introduction—determining the results obtained and expenditures made, as well as being charged with preparing the "pledge books," i.e., the charts of the technical-economic indicators of the measures carried out as compared with the best world analogs. The "pledge books" work out in greater detail the purposes and subjects of the problem (measure), reflect the questions of patents, adherence to the national economic norms, expenditure of resources, etc. When necessary, the basic suppliers and consumers of the future product are drawn into work on compiling the "pledge books."

Compilation of the "renovation certificates" and the "pledge books" is obligatory for all enterprises utilizing capital investments, which is secured by legislation in the corresponding resolution of the GDR Government. Approval of the "pledge book" is the initial point for the start of preparing the plan for capital investments, the first stage of which corresponds to working out the technical-economic substantiation of the measure, and the second—the plan, approved in accordance with the established procedure, depending on the limitedness of the measure after undergoing expert examination.

The plan for preparing capital investments fixes the relation with the scientific-technical developers and establishes the periods for completing the research work (when necessary to their production), as well as the periods for seeking, developing and approving the

"posing of the problem"—the first stage of the beginning of preparing the plan for capital investments, and the "basic decision"—the second stage, and also determines the period for preparing the work documentation. Questions of the economic effectiveness are of decisive significance in selecting the variants of the use of capital investments. The economic estimates of the results and expenditures are also made at the stage of scientific-research work and are subsequently permanently defined, along with the practical realization of the scientific-technical idea, right up to its embodiment in the form of the finished construction project.

The second distinguishing feature of the plan for capital investments in the GDR is the obligatory correspondence between the "basic decision" on the criteria worked out and the national economic effectiveness:

- full utilization of the capacities earlier put into operation for the output of the analogous product;
- full consideration in the plan of all the achievements of scientific-technical progress;
- the capital output ratio for the planned project should be higher than that for analogous existing production facilities;
- the equipment time load should be at least 17-18 hours in calendar days;
- any investment measure carried out should release more work places than it creates new ones. (Realization of this criterion makes it possible to ensure a stable growth of labor productivity. The work force released in industry is used to expand the sphere of services);
- adherence to the normative periods for recovery of capital investments, differentiated by a sectorial criterion of (5-10) years;
- achieving the highest efficiency in the use of foreign currency resources (in the appropriate cases) as compared with domestic equipment and technology;
- the volume of construction work in total volume of capital investments should not exceed 20 percent. This criterion is used on the whole at the level of the combine, and for individual objects the amount of construction work can be over 20 percent;

—ensuring construction outside the dependence on a specific type of work—renovation, modernization and making production efficient—in the normative periods—on the average in the course of two years.

If even one of the criteria presented is not ensured by the measures discussed, the bank will not agree to approve the "basic decision." At the same time, the purchaser is not within his rights to approve the "basic decision" of a given measure if the bank does not agree.

Considerable reserves for improving the state of affairs in capital construction are entailed in normalizing the state of unfinished construction. The existence of a stage of unfinished construction in the process of construction is objectively caused by the actual technology of carrying out the construction work, which is reflected in the indicator of the normative level of unfinished construction (normative). This indicator is determined as the ratio of the volume of unfinished construction to the yearly volume of capital investments in percentages. The actual indicator is calculated in this way on the basis of the actual volume of unfinished construction in the year under review.

Throughout the last three five-year plans, beginning with the tenth, the norm for unfinished construction was established in consideration of the growth—in the 10th Five-Year Plan—67 percent, in the 11th—72, and in the 12th—74 percent. This situation, however, is represented as economically unsubstantiated. In our opinion, the norm for unfinished construction itself, established for the five-year plan, should reflect the basic directions of the investment policy in this period, i.e., should orient the sectors of the national economy toward realization of the outlined directions in the development of the economic system in the sphere of capital construction.

Under conditions when there is no systematic fulfillment of the plan for putting into operation production capacities and facilities, as well as the plans for putting into operation facilities for nonproductive purposes, a mechanism must be worked out for economic activities for the basic participants in the investment process for the purpose of a major change in the situation that has formed and surmounting this negative tendency. Meanwhile, the matter has gone the other way round—the norm for unfinished construction has increased, without aiming primarily at the enterprises of the purchasers and contracting organizations to adhere to the planned rates of putting into operation production capacities and facilities.

On the other hand, the actual level of unfinished construction is rising at substantially more rapid rates than the norm. The following data attest to the state of the volume of unfinished construction actually being formed.

**State of Unfinished Construction from State Capital Investments (According to Actual Cost in Prices of the Corresponding Years)**

| Period, years   | Ratio of Unfinished Construction to Yearly Volume of Capital Investments, % |        |
|-----------------|---|--------|
|                 | according to norm   | actual |
| 1980            | 67  | 88     |
| 1981            | 72  | 87     |
| 1982            | 72  | 85     |
| 1983            | 72  | 81     |
| 1984            | 72  | 79     |
| 1985            | 72  | 79     |
| 1986            | 74  | 79     |
| 1987            | 74  | 80     |
| 1988(estimated) | 74  | 82     |

An analysis of the data presented makes it possible to draw the conclusion that, in evaluating the state of affairs in capital construction on the basis of the principle of least resistance: if we cannot ensure a reduction in the volumes of unfinished construction and bring its total volume to the norm, the norm must be increased.

The results of this pernicious practice are having a rapid effect, and they are particularly expressed in the swift increase in absolute volumes of unfinished construction.

For example, while in 1980 the volume of unfinished construction at the end of the year was 101 billion rubles, in 1988, according to our calculations, it will approach 147 billion rubles. At the same time, in 1987 alone the volume of above-norm unfinished construction amounted to over 11 billion rubles. If one calculates the volume of above-norm unfinished construction in 1987, in consideration of the norm of the 10th Five-Year Plan, i.e., 67 percent, it amounts to a sum in the order of 24 billion rubles.

Just what do these figures mean for the country's national economy?

First of all, these are "frozen" funds, withdrawn from circulation in reserves of commodity-material values, fulfilled construction-installation work, in wages paid to the construction workers but unearned because of the end result. For example, equipment, instruments and stock amounting to over 1.5 billion rubles was invested in unfinished construction work, almost 8 billion rubles worth of fulfilled construction-installation work, including almost 5 billion rubles worth of physical resources. The creators of this "national wealth," i.e., the construction workers, were paid almost 2.5 billion rubles in wages. At the same time, these resources have no commodity covering, since they were not sold in yearly production, having obtained acknowledgment by the

consumer, which is one of the factors intensifying the disbalance in the cost and natural-physical flows in the national economy and destabilizing the country's monetary circulation.

The already complicated situation in capital construction is also being exacerbated by the fact that the estimates in construction have recently essentially all been implemented for that very unfinished production.

As is known, in accordance with the decree of the CPSU Central Committee and the USSR Council of Ministers of 12 July 1979 "On Improving the Planning and Intensifying the Effect of the Economic Mechanism on Increasing Production Efficiency and Work Quality" it was established that, beginning with the 11th Five-Year Plan, approval be given in the five-year plans for the ministries and departments carrying out the construction-installation work, and for the construction-installation organizations to include the following as indicators—the volume of commodity construction output, in general and fulfilled by their own efforts. This indicator, along with those such as the fulfillment of assignments to put into operation production capacities and facilities, and an increase in labor productivity and profit, are the basic evaluative indicators in implementing the economic stimulation of construction-installation organizations.

The above resolution of the party and government obliged the ministries and departments of the USSR and the councils of ministers of the union republics to complete, in 1981, the introduction of accounts between the purchasers and the contractors for enterprises fully completed by construction and turned over for operation, start-up complexes, sections and facilities prepared for product output and for rendering services, according to the estimated cost of the commodity construction output.

At the same time, the expenditures of the contracting organizations for unfinished construction-installation work (according to the estimated cost of the work) up to the planned period for turning over the completed enterprises and facilities, specified coverage by virtue of bank loans, using for this purpose funds released from the purchasers in connection with the transition to work without intermediate payments. Upon expiration of the planned periods for turning over the enterprises and facilities, the bank continued to extend credit for expenditures for unfinished construction-installation work, collecting increased interest for the use of the loan.

Therefore, on the whole, this mechanism of financial provision for construction was called upon to stimulate both the contractors and the purchasers to fulfill the assignments for commodity construction output—the end goal of construction. At the same time, the banking institutions should be actual units in the system controlling the construction process. Naturally, there were certain developments not completely worked out in the



action of this mechanism, which should have been eliminated as they were revealed, preserving in the main features the general approach to the problems of financing and extending loans for the construction. Nevertheless, this path meets the requirements of the 27th CPSU Congress and the resolutions of the subsequent CPSU Central Committee plenums on working out efficient anti-expenditure stimuli and levers and the new economic mechanism, based on the economic methods of management of the national economy. At the same time, on 14 August 1986 a resolution was adopted by the CPSU Central Committee and the USSR Council of Ministers "On measures to Improve the Economic Mechanism in Construction," in accordance with which a new system of paying for fulfilled contracting work was carried out. The construction-installation work fulfilled is paid for by the purchasers monthly, on the basis of the reports signed by them on the work volume. Payment for the work for the object as a whole is made within the limits of 95 percent of its estimated cost. The final calculation for fulfillment of the work is made after approval of the act of the state receiving (worker) commission on putting the object into operation.

Therefore, beginning with the 4th quarter of 1986, the purchasers implement the payment for work done according to the technological stages and complexes, which are the final result of the construction, i.e., they pay for the actually completed construction, the so-called and well known "gross output." At the same time, we must add that putting into operation the resolution of 14 August 1986, unfortunately, was not reinforced by a well-worked-out, scientifically developed, substantiated normative-methodological base. This is particularly true of the Resolution on Technological Stages and Complexes.

For the most rapid normalization of the situation in capital construction it appears necessary to implement the following measures.

In the first place, approach in a new way the formation of the mechanism to control capital construction and of plans for the remaining years of the 12th Five-Year Plan and the 13th Five-Year Plan as a whole. As one of the measures it is expedient to make active use of special stages of planning capital investments—two-year plans for preparing the capital investments (capital construction) in the cross section of the ministries, departments, enterprises, associations and purchasing organizations. At the same time, at the stage of preparing capital construction there should be detailed working out of problems of organizing the construction of a specific enterprise or facility, including the development and confirmation of the plan decisions, with orientation toward advanced, highly efficient technology; the cost of the projects should be determined; the conditions of the material-technical provision for specific construction; the mechanism to implement the accounts between the purchasing and contracting organizations. Carrying out

in full volume the entire complex of preliminary work is the actual prerequisite for implementation of the strict process of construction with high quality and in brief periods.

At the same time, it appears necessary to make a special examination of the problem and render a specific decision on the lack of expediency, as a rule, of future construction of industrial giants. The planning and construction of such enterprises over a long period of time divert considerable physical, labor and financial resources. Also, the duration of construction makes it impossible to ensure the emergence of the planned production facility to advanced milestones of scientific-technical progress in the period of operation. All of this is economically inefficient.

In our opinion, there should be particularly rapid development of the construction of small and medium-sized enterprises and production facilities, possibly on the base of existing inefficient, unprofitable and low-profitable enterprises, through fitting them out with modern equipment and introducing advanced technology. One of the main merits of such enterprises and production facilities, in our opinion, should be the possibility of mobile reorientation to production depending on the need of the domestic and foreign market.

In the second place, establish a norm for unfinished construction for the remaining years of the 12th Five-Year Plan at a considerably lower level than at present, in order to orient the ministries and departments, enterprises, associations and organizations toward a reduction in the actual remainders of unfinished construction and draw into the economic turnover the resources existing at the stage of unfinished construction. In the process of formulating the control figures for the 13th Five-Year Plan on the basis of the overall proportions of economic development of the national economy, as well as in consideration of restructuring the structural and investment policy, establish a scientifically substantiated norm for unfinished construction, possibly differentiated by years of the five-year plan. In addition, it appears necessary to establish a norm for unfinished construction differentiated according to the reproduction structure of the capital investments.

In the third place, one should primarily solve the problem of the estimating mechanism in construction, and of providing an approach in which the purchasers will pay for facilities ready for operation, i.e., the end results of the construction.

The organs of the country's monetary-credit system—the banks—play an essential role in carrying out the party's economic strategy, solving the problems of transition of the country's investment complex to a route of intensive development and reinforcing the economic methods.

The important function of the bank organs is to mobilize and distribute the monetary resources among the objects for capital investments in accordance with the plans for the country's economic and social development and the various units of the national economy. The banks take an active part in planning the capital investments, setting the goal of granting the necessary financial resources primarily to objects meeting the long-term needs of the country's economic and social development, distinguished by a highly calculated effectiveness and corresponding to world models of science and technology.

One of the leading problems of specialized banks is providing, with the aid of the economic instruments used by them (money, finances, credit), a system of economic stimulation in relation to all the participants in the investment cycle, in which they will become interested in the economical use of the capital investments allotted and in accelerating the investment cycle and rapidly putting facilities into operation. It is precisely due to the fulfillment of this economic function that the conditions of priority financing and differentiated credit for organizations participating in the investment cycle, depending on the course and final results of their work, are becoming the leading method for bank operations.

#### Footnotes

1. "Materialy XXVII sezda KPSS" [Materials of the 27th CPSU Congress], Moscow, Politizdat, 1986, p 27.
2. See: "Narodnoye khozyaystvo SSSR za 70 let: Yubileynyy stat. ezhegodnik" [70 Years of the USSR National Economy: Jubilee Stat. Yearbook], Moscow, Finansy i statistika, 1987, pp 321, 317
3. Here and further—according to the data of USSR Promstroybank

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## INDUSTRIAL CONSTRUCTION

### Japanese Construction Methods in Seismic Regions Noted

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10 Jan 89 p 5

[Article by S. Agafonov: "A House on Rubber: Notes on Japanese Methods of Construction in Seismic Regions"]

[Text] With all the low prices and economy of standard construction, no two identical houses are to be found in Tokyo. The chaotic nature of the construction in progress and the disharmony are exasperating at first, but very quickly begin to attract one because of the lack of repetition and the uniqueness.

The lack of coordination in the configuration, number of stories and facing, however, has a common denominator, which is brought about by the actual right to existence of any structure in Tokyo, and indeed in Japan as a whole. It is formulated as the seismicity of the structures. A house, even if built in the form of a candle, even if in the form of a poker—it is the fantasy of the author of the design and no one restricts the caprices of the purchaser—must without fail remain standing during underground storms, which are brought home to the Japanese with hundreds of shocks of varying degrees, registered almost weekly.

Standing on guard against this denominator are the rigid industries of the Ministry of Construction and the vigilant monitoring of the local authorities, without whose grading of "good" not a single plan receives an authorization for existence. The requirements made of the architects and construction workers grow more strict from year to year and the instructions and norms are reviewed regularly, in consideration of the modern achievements of seismology and on the basis of analyses of the recently occurring underground annoyances. The next such review, it is appropriate to mention, is expected in Japan in the near future, when the systematized data on last year's major earthquake—in Armenia—will appear.

"The guarantee of safety in construction in a seismic zone is a field in which 'nuts' can be screwed in endlessly, without risking bumping up against a ceiling of perfection," Professor Nakata, from the Research Institute of Seismology at Tsukuba University, told me. "Narrowing the requirements can pertain to the building materials and foundations, the supporting structures and the glass plating, the facings and infrastructures concealed under the asphalt—water-, gas- and heat-supply, reinforced concrete features and even door hinges in a new building. Nothing should remain 'in parentheses,' since people's lives depend on the sum of each trifle. Everything that increases our defense against a misfortune should be introduced without any compromises, and no requirement in any case will be regarded as Draconian."

This approach, of course, proves very costly, but in this case economy would be simply criminal. Therefore, today the plans for new buildings, before being put in the form of blueprints for the construction workers, are rechecked on computers, undergo model-study tests through jolts in the laboratories and receive the expert decision of special seismological commissions, which can block any architectural undertaking, if it is not inscribed within the frame of a given standard of strength.

Because of this, bricks and other materials which are joined by ordinary cement mortar long ago vanished from Japanese building sites, wooden doors and door

jambes have disappeared, window panes are embedded in metal frames with rubber liners, and special types of rigid facing fastenings have appeared. The list can go on for a long time....

As Professor Nakata explained to me, at present three basic methods are leading in Japanese construction—the use of strengthened reinforced concrete, steel structures and new technology for seismic protection, which is increasingly widespread. Reinforced concrete is the cheapest of these three. However, this does not at all indicate that it is in first place. Steel frames cost about 20-30 percent more, but they are more reliable, and the coefficient of strength demonstrated by them under testing is higher. Therefore, for example, in Tokyo most of the new high-rise structures are first raised up to the sky by a steel skeleton, and then are built around with walls, interior ceiling structures, etc. The new technology is 7-10 percent more expensive, but, making its debut in Japan in 1986, it is now being developed at a rapidly rising rate, and buildings constructed by this method are springing up in the country like mushrooms.

A pioneer in introducing recent construction innovations was the Japanese corporation Obayasi Gumi, which was the first in Japan to construct a house on rubber spacers. Now there is no let-up in the orders for this industrial process, and I asked the colleagues of the corporation to arrange a small excursion for me to one of the recent construction sites, so that I could learn more about the remarkable construction. Katsuhisa Okuma, the chief of the division of earthquake-proof technology of Obayasi Gumi, kindly agreed to expedite this, and we set off for the Tokyo region of Shibuya, where last April the corporation had constructed a routine "rubber" apartment house for a purchaser.

The expectations of seeing something unusual, upon first acquaintance with the white five-story building, were not justified. The sixth, underground floor, on which are located the garage, the service facilities and office blocks, was also not at all striking. On the other hand, when we went even farther down the steep staircase, the impression whipped over one in a wave: with our legs we stood on a concrete foundation, but our shoulders were resting on the floor of the underground story, and at the same time the entire mass of the building was raised above the foundation, and not one of the walls had any relation to the actual foundation. Moreover, the house "dangled" freely in the foundation pit, detached from the earth along the entire perimeter by a half-meter slit, through which the daylight poured.

My colleague, meanwhile, led me to a corner of the structure, where a gigantic black cushion could be seen, very firmly welded with bolts from below to the stocky concrete pedestal and from above to the building itself. "This is our chief hero," said Mr. Okuma. "The layered rubber spacer is 75 centimeters in diameter and 40 centimeters high, and 45 layers of steel and rubber alternate in it. The solid rubber deforms quite rapidly,

and this, as it is, will last, without any deviations from the norm, for 50-70 years. This, it is appropriate to say, is the average life of any modern building, and then major testing and repair is required. For our 'rubber' house, this age is unlimited—the house can be raised a few millimeters by jacks, and new spacers installed in place of the old ones."

"Look around," Okuma-san went on. "Under this building, all in all, are twenty rubber spacers. Twelve of them are the main ones, and they each support 250 tons of weight, and the rest are auxiliary and there are 150 tons on their rubber shoulders. Despite the external instability, the structure sits on them more firmly than any other building, which is shown particularly clearly during earthquakes. Usually during underground shocks, each floor in an ordinary structure 'shakes' with a varying amount of force, and the difference between the first floor and the roof achieves a very appreciable discontinuity. In our structure there are no such gradients, and the entire house receives an equal dose of vibrations, reduced three-five-fold by the spacers. The rubber spacers can be 'bent' in any direction, sustaining a deviation from the axis of up to 40 centimeters. This deviation, as the test-stand experiments showed, is possible only with jolts of a maximum force on the Japanese 7-point scale, so that the reliability of the technology is obvious. Not that its merits are limited only to this—it also makes it possible to reduce the weight of the building itself by approximately one-fourth, since there is no longer any need for massive supporting structures and, in addition, the area of the interior facilities can be increased, again by saving on the supporting columns.

"Since we are in the underground section, notice the pipes for sewage, heat and water supply, as well as the cable network," emphasized Mr. Okuma. "As you can see, they are connected by flexible joints. These plastic adapters are also a guarantee in case of an earthquake. Even if the entire house 'moves' from the jolts, no accidents will occur here. The pipes themselves, it should be noted, still need improvement, and work on their earthquake-resistance is continuing. Sooner or later we will solve this problem."

At Obayasi Gumi they feel that there is a great future for "rubber" houses. This optimistic prediction is based on the fact that, in evaluating the new technology, the number of stories of the buildings can gradually be increased, and the strength of the rubber coils be intensified. For example, today rubber spacers have already been developed that can sustain 1000 tons of load each, and the laboratory tests and computer calculations agree that 12 and even 15 stories are not the maximum for rubber structures. Another important parameter is the construction period. Obayasi Gumi succeeded in practically equating it with the ordinary methods, so that the difference in rates was reduced by almost 2-3 weeks. The earthquake-resistant house in Shibuya, for example, was

constructed in a total of 12 months, of which over a month was taken up with dismantling the old building and clearing the construction site for the new one.

The innovation, as was said, is promising. The new technology, however, is fraught with certain inconveniences, for it is intended either for buildings which have not yet been constructed or for those that are at the very initial stage of construction. For a tremendous number of already existing structures, these innovations are not suitable and, consequently, acquiring the additional earthquake insurance is not foreseen. What can be done in this case?

The Japanese are trying to find a way out in this case, too. First of all, regular inspection of all structures, which the local authorities implement, plays a huge role, and they give recommendations to home owners, if a building requires "earthquake-proofing" corrections. In this case, if the house is hopelessly old and promises to break up at the first serious jolt, the conclusion of the commission is unsympathetic—it is to be torn down. Incidentally, preventive measures are not limited only to this. Only recently, another Japanese construction corporation, Kadzima, announced the development of a unique technological process for earthquake defense, suitable for any building, despite its "age."

At the basis of the development is the very simple principle of balance, which corrects any listing. The technically simple Kadzima system consists of the following elements: electronic sensors, which are installed in the foundation of the structure and on several stories; a powerful computer with a high solving capacity, and counterweights on wheels, located on the roof. During an

underground jolt the sensors instantly locate the vibration, informing the computer of it, and it reacts to the alarm signal in a hundredth of a second, delivering a command on the beginning of the movement in the direction opposite to the thrust to the counterweights, able to move at a speed of 40 meters a second. As a result, the balance is re-established and the building is not threatened with falling. According to the data from the experiments, when this system is used, the force of the average earthquake is cut in half. The cost of all the necessary equipment and its installation is quite high, but 50 percent cheaper than the other existing anti-earthquake measures.

The Kadzima development, at the same time, has its shortcomings, and the main one is the poor guarantee in major earthquakes. This, however, the corporation specialists explain by the fact that, for the time being, the technology was approved using counterweights amounting to the sum of one percent of the mass of the entire building. If this percentage is increased—other parameters will grow, and this means that the guarantee of safety will be more reliable.

"The Japanese have been studying the secrets of earthquake resistant construction for a long time," Professor Nakata said to me. "There are many formulas, new ones literally appear everyday, but all the same, we have not so far caught up with nature's unpredictability, and we are too helpless in the prediction of underground shocks. This means that there is one way out—construct conscientiously, taking each find as an armament, constantly raising the requirements for the threshold of stability and making use of any chance to ensure the safety of the people. We have no other alternative and there can be no other."



## POLICY, ORGANIZATION

### Gossnab Chairman on Development of Wholesale Trade, Socialist Market

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[Article by L. Voronin, deputy chairman of the USSR Council of Ministers and USSR Gossnab chairman]

[Text] The country has entered the 4th year of the 12th FYP. Since the beginning of 1989, all enterprises in the sphere of material production have been operating on the principles of full cost accounting (*khozyaystvenny raschet*) and self-financing. The role of wholesale trade, which has key importance in the system of measures to restructure management of the economy, becomes still more important in that context. Without a resolute transition from centralized supply to wholesale trade in the means of production, enterprises cannot have real economic dependence, nor can they be economically accountable for the results of their activity.

The essence of the problem, the reason for its urgency, is to give enterprises the possibility without hindrance to acquire everything they need for their own production purposes and social purposes in exchange for the money they have truly earned (that is, realized in satisfying specific needs of the economy and the public). In other words, making the material prosperity of work collectives directly dependent on the consumer's evaluation of their performance, which is moreover an evaluation expressed with the ruble.

The question of further accelerated development of wholesale trade cannot, of course, be reduced merely to expanding its scale. It is not, of course, a matter of indifference to us the share of the means of production that is sold through wholesale trade; in future, there is no dispute that it must increase until it reaches the optimum proportion. The problem of overcoming shortages of a number of products that is still quite sizable has become more important.

Pursuant to the decisions of the June (1987) Plenum of the CPSU Central Committee, it is wholesale trade that is to be used both as one of the means of overcoming the shortage of physical resources and also as a means of attaining dynamic correspondence between supply and demand. Here, it is not simply a question of a further increase of production, but of bringing its structure into fuller conformity with real demand, of creating conditions under which manufacturers would be quick to respond to changes in demand, so that constant renewal and expansion of the assortment of products and their correspondence to the best examples become economically indispensable to every production collective.

Those are also the objectives served by wholesale trade; the transition to that kind of trade was defined by the June (1987) Plenum of the CPSU Central Committee as

a form of unrestricted purchase and sale in which all matters of the product's supply and sale are decided by the enterprise independently, on the basis of direct relations between manufacturers and consumers or under contract with a cost-accounting intermediary—regional supply components.

This presupposes free selection of the trading partner, a flexible system of prices, and creation of conditions for competitiveness to win over the purchaser, and discontinuation of orders guaranteeing sales.

Ultimately, all this signifies creation of a socialist market for machines and equipment on which the demand and supply are supposed to regulate one another and the main condition for acquiring a product is the consumer's ability to pay.

At the same time, it is quite obvious that a socialist market for machines and equipment must be distinguished by purposiveness and conformity to plan; that is, it must be regulated at the macrolevel on the basis of the need for dynamic and proportional growth of the country's economy as a whole and for attainment of strategic goals and development of the economy and of its various sectors and regions.

This is undoubtedly the key task in organizing the entire effort to develop wholesale trade. It is a question of taking the fullest possible advantage of our planned economy, of the capabilities that are embodied in public ownership of the means of production. Here, the task is not to mechanically transfer to the new conditions the methods of state management of the economy that are in place and have become traditional, but rather creative reconceptualization and radical transformation of those methods.

Another serious problem is to bring about the proper conditions for self-regulation of the economy and to provide space for enterprise initiative combined with simultaneous reconciliation of the interests of work collectives with the interests of society as a whole. This will be served by the transition of enterprises to full cost accounting and self-financing and also by measures to restructure the pricing mechanism and finance-and-credit system. We should particularly emphasize at this point that the successful evolution and development of wholesale trade cannot be accomplished in isolation from these and other important elements of the radical economic reform.

It is obvious that a set of interrelated problems needs to be solved in order to create a socialist market for machines and equipment. Moreover, each of these problems is rather complicated and to a considerable extent new not only to our own science and practice, but even to the entire world community.

Yet the state of affairs is such that we are forced to undertake practical steps to create a socialist market for machines and equipment when in essence we still do not even have a soundly elaborated and integral theory, nor a model of that market that has been defined in detail. It is also very important that wholesale trade is being organized in the context of a substantial imbalance between means of payment and material resources, a high level of monopolization of production, and also in the context of the old price mechanism and finance-and-credit mechanism, which are in need of renewal.

In 1988, the volume of wholesale trade was 15 percent of the total volume of sales of products for production and technical purposes. These results certainly cannot satisfy us.

The parameters of wholesale trade have been set for the coming period. For instance, its volume is to grow to 115 billion rubles in 1989 as against 40 billion in 1988. That volume would exceed 200 billion rubles in 1990, and in 1991 practically all products for production and technical purposes except those delivered under state orders would be converted to the regime of sale without allocation.

Wholesale trade will be developed on a multichannel basis so as to give enterprises the possibility of choosing the most economical form for supply and sale of the product and also to create the necessary rivalry among suppliers.

Three forms of trade are being envisaged: the sale of products through direct relations between manufacturers and consumers; wholesale trade through regional components of the system of USSR Gosplan; and trade through manufacturer's stores and other trade enterprises of ministries and departments, including Gosagroprom.

The proportions among these forms of trade in machines and equipment have been calculated as follows for 1990:

- through direct relations—90 billion rubles (or 45 percent of the volume);
- through regional components of USSR Gosplan—70 billion rubles (35 percent);
- through the system of USSR Gosagroprom—25 billion rubles;
- through the marketing network of other ministries and departments—about 16 billion rubles.

One of the main directions outlined in development of trade is to turn over commodity groups of products of various types for unrestricted sale to all consumers, which will make it possible to create and expand at a fast pace the real market in machines and equipment.

For instance, even during 1989 more than 7,000 product designations with sales of about 80 billion rubles are being turned over to enterprises for that form of sale. There has been experience with that kind of trade, and it confirms the advisability of this measure. All consumers of these products would have an opportunity to choose their supplier and the form of delivery (through delivery or through the depot of an intermediary). Thus, a sphere of unrestricted purchasing of certain types of machines and equipment is gradually being created. When products are chosen for unrestricted sale, particular attention is paid to how scarce they are. That is why the products chosen for this kind of sale are those for which the economy's need has by and large been balanced at the macrolevel.

In 1989, the list of products to be sold freely to all consumers is to be expanded, above all to include those products which are now distributed by ministries and departments. This effort is already being carried on actively in a number of ministries. A very substantial portion of the products being converted to unrestricted sale will be delivered through direct relations between manufacturers and consumers. Moreover, at least 35 percent of the entire volume of wholesale trade in the current 5-year planning period and approximately 40-45 percent in the 13th will consist of product deliveries based on long-term contracts between enterprises. This has great importance, since stable relations make it possible not only to deepen mutually advantageous cooperation among work collectives, but also to accomplish coordinated development of interrelated production operations.

A number of measures have been defined which are aimed at creating the conditions for formation of truly effective economic ties in the economy without direct assignment of consumers to suppliers.

First, a reliable system is to be set up to furnish enterprises commercial information, above all concerning the current supply and demand on the country's market for certain products, on the possibilities of acquiring them and selling them. Pursuant to a government decision, USSR Gosplan is creating an automated information system for this purpose; it includes a statewide commercial information bank and a network of regional centers. The first phase of this system is to be activated in 1989, and its creation is to be completed entirely no later than 1991.

At the present time, there are about 120 commercial centers for rendering the most diverse intermediary and commercial information services to consumers, beginning with an intermediary's help in selling and acquiring products and going all the way to advertising and consulting services on matters of the supply of materials and equipment. The All-Union Commercial Information Center, which is completing formation of the statewide data bank, has been created within the Main Computer Center of USSR Gosplan.

Second, the finishing touches are being put on a system whereby regional components of USSR Gosnab would provide services to enterprises in the placement of orders and reachment of agreement on delivery terms as well as the services of studying the demand for the products they produce and for advertising those products.

Third, a practical test is also being made of the holding of fairs, which is an important way of helping to establish direct ties among enterprises.

A number of unionwide and republic fairs have already been held in various cities. The results can be called encouraging. But quite a bit still remains to be done if these fairs are to be sufficiently effective.

Last year, the first fair for the sale of products for transfer rubles was held in Moscow (at Sokolniki). Representatives of about 300 enterprises and organizations of the socialist states took part in it. There are plans to hold similar fairs in the future, specifically with a view to implementing the idea of creating a unified market of the CEMA member countries.

The program that has been outlined envisages a very rapid expansion of the volume of wholesale trade through regional components of USSR Gosnab: from 10 billion rubles in 1988 to 70 billion in 1990. As the progress in concluding economic contracts for 1989 has shown, not only consumers (mainly small and medium-sized), but also manufacturers, for whom it is advantageous to sell products in large lots, are also interested in organizing this kind of purchase-sale. A number of manufacturers have already declared a readiness to sell their products through regional components of Gosnab at a discount. There is good reason for this, since they take over concern for accumulating the small orders that as a rule would be performed during the entire year, i.e., in the course of carrying out plans. This after all entails a commercial risk for the intermediary, and he must be paid correspondingly.

At the same time, as shown by the experience of Estonia and a number of other regions, it is also economically sound to develop wholesale trade in products for which centralized distribution is being retained at present in the country as a whole. Concentration of a region's resources in a single place affords the possibility of broad maneuvers with those resources, which makes it possible to substantially raise the level of supply of consumers with practically no increase of resources. It is sufficient to say that with a 6.5-percent growth of production over the period January-June 1988, stocks of physical resources in Estonian SSR as a whole decreased 3.7 percent.

The same situation is being observed in other regions developing this form of wholesale trade. But it has to be said that its application yields a substantial benefit above all in places where warehouse supply is predominant. During the current year, consumers in Yakutia,

Tuva, Kamchatka, Sakhalin, and Magadan Oblasts and also construction organizations under republic jurisdiction in Georgia and Azerbaijan are converting to supply through wholesale trade in all basic products. Expansion of the sphere of this kind of wholesale trade is to continue in the future.

Of course, the development of wholesale trade through regional components of the system of USSR Gosnab does not come down merely to abolishing allocations for consumers and concentration of resources in one place.

The transition to wholesale trade requires a radical restructuring of the very nature of activity of regional components. A practical effort in that direction is being staged on a broad scale. As of 1 January 1989, regional components have been converted to full cost accounting and self-financing. This has placed them in equal conditions with industrial enterprises, and that presupposes that they bear the same economic accountability for the results of their work. Just as for enterprises, the main condition of their successful performance is now the prompt and quality performance of customers' orders. A system of differentiated markups is being adopted so that from the standpoint of regional components of Gosnab all consumers' orders are equally profitable regardless of the urgency and size of the product lot they need. In the structure of the income of these components, emphasis is being put on development of the most varied services rendered to consumers.

There has been a major revamping of the organizational structure of the regional components. Now it is being brought as close as possible to the requirements of development and successful operation of wholesale trade. To be specific, unnecessary links have been eliminated in the overall scheme of interaction of these components with USSR Gosnab, and their independence has been greatly expanded on matters of building up resources for wholesale trade and establishing economic relations with manufacturers and consumers.

Quite an important factor we should mention is the creation of an elaborate infrastructure of wholesale trade at the local level. As of the beginning of 1988, there were about 700 stores in operation, but by the end of the current 5-year planning period their number will increase at least fivefold. Two problems will be solved at the same time: the marketing network will be brought closer to consumers, and an elaborate system will be created for providing them commercial information. The idea is for the consumer to be able not only to purchase the product he needs in the stores, but if necessary to order it for subsequent delivery from large wholesale depots.

Another new form that is undergoing appreciable development is creation of cooperatives in association with regional components of Gosnab to render services to enterprises and organizations (including production and

construction cooperatives) in supplying them with materials and equipment and in selling their products, as well as economic employment of unutilized physical resources. There are now about 400 such supply-and-sales cooperatives in operation, and it is assumed that in 1990 their number will increase to at least 1,500.

Services of preparing products for consumption in production and rendered by the regional components are also undergoing further development. Their volume will almost double in 1990. Take, for example, the custom cutting of metal. This is very advantageous both to the customer and also to the regional subdivision, and in general it is worthwhile for the country's economy, although the volume of such operations is relatively small at present. It is also important that the consumer have a reliable business partner who is actively involved in the process of improving the product's production technology. Work in this direction is making it possible not only to sharply improve the quality of services to consumers, but also to make a solid addition to resources because of resource conservation when processing is done at delivery enterprises subordinate to USSR Gossnab.

We should also mention the progressive form of providing material resources to consumers that consists of renting pieces of equipment (instruments, equipment, construction and road machines, etc.). This form has undergone considerable development over the last 1.5 years or 2 years. At the beginning of 1989, regional components had created more than 170 rental departments and stations with 110 million rubles worth of equipment for this purpose. The experience that has been gained has convincingly shown the economic virtues of equipment rental as one of the forms of leasing operations. During its service life, every piece rented manages "to work" for 7-10 consumers on the average. In the first 3 years of the 5-year planning period, the economy has saved on the order of 200 million rubles in instruments and products of machinebuilding, which is equivalent to making available the production capacities of several plants. Consumers themselves have achieved a sizable saving of financial resources (it costs between one-third and one-fourth as much to rent the equipment as to acquire it). The volume of this activity is to be increased sharply; this will make it possible to save very large physical and financial resources and to make more efficient use of the material resources of the products of machinebuilding and other industries.

In addition, the technical-and-economic structure of present-day production, which is determined to an ever greater degree by the advances of scientific-technical progress, is helping to increase the comprehensiveness and raise the level of automation of production and the degree to which enterprises have a full supply of all kinds of equipment, thereby increasing their mobility. More and more often the prerequisites are being created more widely so that a particular technical device (machine,

apparatus, piece of equipment, or tool) is used by enterprises temporarily, episodically, i.e., not over its full service life (from the standpoint of physical wear).

It is projected that the volume of rental will grow 2.5-fold by the end of the 12th FYP, that the list of pieces of equipment rented will be substantially broadened, as will the "geography" of location of rental enterprises and stations.

One of the distinguishing characteristics of the measures outlined to develop wholesale trade is its development on a multichannel basis. To that end, programs for organizing and expanding wholesale trade through manufacturers' outlets and the depots of the respective departments have been worked out and defined with councils of ministers of union republics and with a majority of industrial ministries.

For instance, the volume of wholesale trade through the marketing network of USSR Gosagroprom is supposed to increase by more than threefold (from 8 to 25 billion rubles in 1990). In this case, enterprises of the processing branches, agricultural organizations in the Nonchernozem Zone of RSFSR, and also construction which kolkhozes and sovkhozes do for themselves are being converted on a priority basis to supply through wholesale trade.

On behalf of fuller satisfaction of the needs of kolkhozes, sovkhozes, and enterprises of the agroindustrial complex, a network of consignment stores to sell superfluous and unused products is to be created in the system of USSR Gosagroprom, and equipment rental stations and commercial centers are to be organized as well.

As for ministries in the branches of industry, here the main thing outlined is to set up an elaborate work of manufacturers' outlets. Such stores exist now only in five ministries, but the share of products for production and technical purposes sold without allocations or limit-allowances is negligible at present. USSR Gosnab feels that manufacturers' outlets must be created in every production ministry and that they should be located in all major industrial centers. These stores must be set the task of skillfully advertising new products and of studying and shaping demand for them. Certain specific products might also be sold through them (for example, chemical reagents in stores of Minkhimprom).

On the whole, goods worth about 40 billion rubles are to be sold on the basis of wholesale trade through the network of stores and depots of the manufacturing ministry in 1990.

Given the upcoming substantial reduction in the sphere of centralized distribution of products, it is becoming an exceedingly important task to regulate material and technical supply so as to guarantee the stable operation of the economy. The old mechanism is unsuitable here. New approaches are needed and at the same time a



creative use of the experience gained in management of the economy at the macrolevel. In our opinion, even under the new economic conditions there is still a need to keep records of products converted to unrestricted sale both in a regional breakdown and also at the nationwide level.

Calculated balances need to be worked out by regional components of USSR Gosplan, and they should also be done for the respective products by Gosplan, Gosstat, ministries, and departments. The purpose of these balances is to afford the center of the economy an opportunity of objectively evaluating the state of supply and demand on the country's market for a particular product, to discover bottlenecks in supply of the economy, and on that basis to see that shortages are corrective and to prevent production of products which are in limited demand. The figures of the calculated balances must be taken into account in arriving at the reference figures and standard economic rates, in distributing centralized capital investments, in determining the volume and structure of exports and imports, and also in shaping the optimum structure of contingency stocks and revolving inventories.

USSR Gosplan has begun to develop such balances: in particular, for 1989 there are balances embracing virtually all products being converted to unrestricted sale. This has facilitated a more purposive organization of the effort to conclude economic contracts, to discover capacities which are not employed, and to define measures to satisfy those orders which certain manufacturers have refused to fulfill.

A very important question in shaping an effectively operating market for machines and equipment is creation of conditions under which full and quality filling of orders of consumers would be economically necessary for every manufacturer.

Unfortunately, an analysis of the operation of industry over the first 3 years of the 12th FYP shows that our situation in this regard is not altogether favorable by any means. Although the level of fulfillment of contractual obligations for product deliveries has risen somewhat and was 98.9 percent last year (98.6 percent in 1986 and 98.3 percent in 1987), nonfulfillment of contractual obligations does have an essential impact on performance of production programs, as a rule those of related enterprises, causing a chain reaction of a sharp reduction of the volume of products produced. Over the 3 years of the FYP, consumers have failed to receive deliveries under contract worth more than 30 billion rubles, and in 1988 alone the figure was more than 8 billion rubles. In machinebuilding alone, one out of every four enterprises has been failing to meet its contractual obligations. Certain enterprises have chronically failed to perform contractual obligations. For instance, about half of the undelivered products for USSR Mintyazhmash alone (193.6 million rubles) pertain to 11 of its enterprises (i.e.,

10.6 percent of their total number). They include the PO "Yuzhuralmash," the Kolomna plant, the heavy machinebuilding plant in Mariupol, and other enterprises.

In this regard, the development of wholesale trade must be accompanied above all by further improvement of the economic mechanism. In particular, the formation of funds for remuneration of labor must be made directly dependent on expansion of the output of the products needed by the national economy.

One of the measures that seems advisable is to abolish the present procedure for additional material incentives to enterprises for 100-percent fulfillment of contractual obligations. Application of such a procedure makes sense in the context of direct planning. But at the present time, when enterprises are independently shaping their own production program, it quite often encourages work collectives to adopt plans which are too low in order to minimize the risk of fulfilling them. The fact that enterprises are able to keep 70 percent of above-plan profit for their own disposition also plays quite an important role here.

Measures also have to be developed to prevent withdrawal from production of products which are very necessary to the economy though they may be disadvantageous to particular enterprises. Here, much depends on the soundness of prices, but at the same time it would be incorrect to solve this problem by reducing it solely to price revision. The essence of the problem lies in creating a flexible pricing system that stimulates the output of progressive products and at the same time stands in the way of an unjustified hiking up of prices. This is taking on particular importance as wholesale trade is developed and as it becomes necessary to apply negotiated prices. The procedure now in effect does not at present meet those requirements. Its main shortcoming is that it essentially ignores the interests of the consumers, and it does not safeguard him against the manufacturer's dictate. The practice of setting negotiated prices on consumer goods is very typical in this sense, for example. These prices are formed by Minlegprom and Mintorg, i.e., those who have the greatest motivation to hike them up in order to increase the volume of sales. Such practice results, of course, in serious adverse consequences.

A similar situation is observed in the setting of prices on products for production and technical purposes. Here again, cases are frequent when prices are raised unjustifiably with no substantial improvement of the technical and economic parameters of the product and inexpensive products are dropped out, while there is a corresponding growth in the production of expensive products, which is in essence a concealed form of price-hiking. For example, the Sverdlovsk Current Transformer Plant of Minelektrotekhprom removed from its production plan for 1989 TPOL-10 transformers, which cost 27 rubles and on which there is a profit of 9 percent,

and instead increased the output of the almost equivalent TOL-10 transformers, but now the price is 100 rubles and the profit rate over 40 percent.

In January 1989, the Politburo of the CPSU Central Committee took up proposals of the USSR Council of Ministers on measures to correct shortcomings in the present practice of setting prices. These measures were aimed at overcoming adverse trends whereby prices were rising faster on products for production and technical purposes and commodities and services than the improvement of their technical-and-economic parameters, performance characteristics, and quality, and they were also aimed against cutting back production of inexpensive goods which are in demand detrimentally to the interests of the public.

It should be noted that certain manufacturing enterprises, especially those which occupy a monopoly position in the production of a product, committed serious violations of the procedure for setting and applying negotiated prices in 1988. This was manifested in their selling of scarce products (especially those manufactured over and above the state order and contracts concluded) at higher prices. For instance, a number of enterprises in Bashkiria offered products to consumers at prices 4-6-fold higher than the list price. This kind of violation of state price discipline infringes on the interests of consumers and affords suppliers profit they have not earned. Here, consumers quite often go along and do not exercise the rights granted them under price controls. Both customers themselves and also pricing authorities have to wage a resolute campaign against such practice.

The very process of price control has to be democratized and the role of the consumer greatly enhanced. The principle that prices are controlled by the purchaser has to be implemented in practice.

Serious problems need to be solved in that direction. One of them is to institute extradepartmental evaluation of the quality of new products as the basis for price changes. Now, a product's modernization, which is often only "cosmetic," and also evaluation of the degree of its newness are concentrated in one and the same hands—the NII's and KB's of the sector itself. In the Western countries, evaluation of the quality and performance characteristics of a product is done by government institutions or organizations created by associations of consumers. In our country, such functions might be assigned to components of Gosstandart.

Another question is the need for resolute elimination of excessive monopolization of production, which affords manufacturers the possibility to dictate their will in the setting of prices. Unless real competition and rivalry are brought about, unless there is a struggle for the consumer, neither democratization of the pricing process nor an effectively operating market for machines and equipment are possible. Moreover, this problem must be solved not only at the level of the enterprise, but also at

the level of entire branches and sectors. Concentration of enterprises manufacturing the same product within a single branch objectively strengthens the monopoly position of the manufacturer. The situation is such that at present ministries are in one way or another motivated to increase gross output and accordingly they consistently pursue a course of elaborating production specialization, sometimes not taking into account the consumer's costs and the product's shipping costs for the national economy as a whole. Experience shows that this line is even pursued in the placement of state orders. The only basis for competition here is confined to the department itself.

There is no question that eliminating monopolies is no simple matter. Changing production specialization, organizing the output of products of the same kind at several enterprises, is a rather complicated and expensive matter. It has to be taken into account that the manufacturer must at the same time think about the efficiency of his production. But it is necessary to undertake changes in specialization. Especially since there are quite a few enterprises in the national economy, as shown by an analysis conducted by USSR Gosstab, which are capable in terms of their technical abilities to manufacture a broad assortment of products. And those inevitable losses in the total volume of the product's production, according to our calculations, will be fully offset by the drop in overall shipping costs, not to mention the benefits for the national economy as a whole which will be opened up by economic competition among manufacturers.

That is why one of the most important issues at present is to demonopolize production. This is a major issue, it affects the interests of many enterprises and associations. Its radical resolution requires development of a system of effective measures based on a thorough scientific study of the problem. Real help from the scientists is needed here. At our request, a group of specialists has already responded from the Central Mathematical Economics Institute of the USSR Academy of Sciences.

Two departmental groups of specialists have also been formed to prepare proposals on measures related to legal and economic-organizational regulation of monopoly phenomena in product production and distribution. It would be advisable for these groups of specialists of USSR Gosplan to take part in the effort.

As for the scale of application of negotiated prices in connection with the development of wholesale trade, here it seems necessary to conduct a very cautious policy. The experience of Yugoslavia, China, and a number of other countries indicates that removal of restriction on prices without creation of sound and authentic competition results in "galloping" inflation.

At the same time, until such time as prices are revised, there is a need to apply certain forms of price pressure in order to create the necessary basis for expansion of

wholesale trade in the current 5-year planning period. In agreement with USSR Goskomtsen, a number of measures are to be carried out in 1989 which apply to certain very scarce (mainly low-profit) products so as to prevent curtailment of their production.

Provision is also being made to apply commercial prices to products which are in increased demand and are produced by enterprises over and above state orders and contracts concluded. Only regional components of Gosnab would be allowed to purchase products at these prices, so that on the one hand an unjustified rise of prices would not be allowed, while on the other additional earmarked resources would be channeled into satisfying the country's most important needs and into creating a statewide contingency and revolving stocks. The approximate value of products to be purchased at commercial prices (calculation for 1989) would be about 500 million rubles.

The balance between means of payment and physical resources also has extremely great importance. That means closing all channels through which enterprises realize money they have not earned. This would presumably be done by tightening the procedure for issuing credits and also by strengthening the monitoring of prices. There are figures to the effect that now one out of every two industrial enterprises is hiking up prices to some extent and as a consequence is realizing unjustified profit. Appropriate measures to correct this situation have been defined jointly with USSR Minfin, USSR Gosbank, and USSR Goskomtsen, and a number of them are already being implemented.

And finally, an equally important question is the creation of an interrelated mechanism for management of sales by means of finance policy, credit policy, and price policy. This mechanism must be aimed at stimulating the output of products which are scarce and at renewal of their assortment and also at holding back production and consumption of products that are materials-intensive and outdated, as well as at stimulating substitution of secondary for primary raw materials. Here, it is a question of smooth and well-coordinated activity of USSR Gosplan, USSR Gosnab, USSR Minfin, USSR Gosbank, and USSR Goskomtsen making it possible to take interrelated and selective decisions quite promptly to manage supply and demand on the market for particular products. Work is being done in that direction.

These are the general directions and principles which USSR Gosnab is abiding by in organizing the effort to develop wholesale trade in machines and equipment. It is quite obvious that there are quite a few problems here which cannot be properly solved without the participation of major scientific personnel.

Unfortunately, many questions have to be decided without support from basic science. It has to be admitted that at present science is lagging behind the demands of practice in this area.

The Scientific Research Institute for Economics and Material and Technical Supply of USSR Gosnab (NIIMS) has drafted the Plan for Coordinating Interdisciplinary Research on Improvement of the Mechanism for Wholesale Trade in Machines and Equipment in order to involve in the research leading specialists and scientific institutions of the USSR Academy of Sciences and ministries and departments; it calls for participation of more than 100 scientific institutions in this effort. The plan envisages the conduct of scientific research both in working out practical measures to set up wholesale trade and also to study the basic theoretical problems in the formation and regulation of a socialist market for machines and equipment. We are entitled to assume that the joint efforts of the scientists will make it possible to guarantee a qualitatively new and higher level of scientific implementation of the restructuring of the sphere of the economy's supply of materials and equipment.

The restructuring of this sphere is a very complicated and multifaceted process. It touches upon not only the system of USSR Gosnab and its components, but practically all entities in the economy.

USSR Gosplan has an important role in shaping the socialist market for machines and equipment. Aside from matters related to the drafting and implementation of measures to overcome the monopoly structure of production, the work on balances, and coordinating the activity of central economic agencies in the field of financial policy, credit policy, and price policy, USSR Gosnab and USSR Gosplan have to concentrate attention on creating an effective mechanism for regulating market relations.

In the context of further expansion of the economic independence of enterprises and organizations, USSR Gosplan, jointly with USSR Gosnab, USSR ministries and departments, and councils of ministers of union republics, need to take as their point of departure in shaping state orders the task of reducing the sphere of centralized distribution of physical resources and of transferring them to unrestricted sale.

The achievement of wholesale trade of centrally distributed products for production and technical purposes through regional components of USSR Gosnab, including distribution for transfer rubles, requires of planning authorities new approaches to the formation of resources for these purposes so as to take into account the need for maximum satisfaction of the requests of customers and peculiarities in the methods of determining the requirement.

USSR Gosnab sees its primary task to develop wholesale trade very speedily and on a broad scale, achieving implementation of the decisions of the 19th All-Union Party Conference on deepening and hastening the conduct of the radical economic reform.

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**Gossnab Official on Implementation of Wholesale Trade**

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[Interview with Yuriy Petrovich Boyev, USSR Gossnab first deputy chairman, by Andrey Meshcherin, *EKONOMICHESKAYA GAZETA* correspondent; date and place not given; first two paragraphs are *EKONOMICHESKAYA GAZETA* introduction]

[Text] Hundreds of our readers have responded to the *EKONOMICHESKAYA GAZETA* editorial board's invitation to discuss problems in supplying material resources to production during a dialogue with a competent person. The authors of the questions, which arrived by mail and received by telephone and telegraph, were worried by the low, from their point of view, rates in expanding wholesale trade and reported difficulties arising during the restructuring of the material and technical supply system. The participants in the dialogue suggest their own ways to solve the problems facing USSR Gossnab.

The editorial board sent a round-up of our readers' letters on the subject "From the Assets—To Wholesale Trade" to Yuriy Petrovich Boyev, USSR Gossnab first deputy chairman. He answered the more typical questions from the dialogue's participants during a conversation with Andrey Meshcherin, an *EKONOMICHESKAYA GAZETA* correspondent.

[Meshcherin] The progress in restructuring material and technical supply evokes very contradictory opinions. Ye. Skoblikov, a candidate of economic sciences from Penza, thinks: The transfer of enterprises to wholesale trade can be accomplished in one day, considering the fact that the USSR Gossnab system has a well developed network of supply and sales organizations. However, in his opinion, the five-year period is required only to preserve the funding system.

On the other hand, Yu. Borovskiy, chief of the Bashmashkomplektsnab Administration, asks us whether or not Gossnab is not hurrying the innovation too much. He directs attention toward the fact that it is difficult to calculate the effectiveness of wholesale trade in production resources without substantial changes in planning, financing and price formation—the transformations in the economic mechanism must be comprehensive ones that do not tilt to one side or other.

In this connection, I would like to ask you, Yuriy Petrovich, to describe briefly the main principles that have been placed at the basis of the reforms in material and technical supply. How sound are the rates that have taken shape in the shift to wholesale trade?

[Boyev] As is known, the essence of the restructuring of material and technical supply consists of a decisive shift from the centralized distribution of material resources to

wholesale trade in production assets. A detailed deciphering of all the work that has been done in this direction would take too much time. I think that the previous editions of *EKONOMICHESKAYA GAZETA*, which described in detail the new approaches to organizing supply, make my task considerably easier. Without going into the details, I will talk about the main factor.

First, the dynamic expansion of middleman trade, which equally satisfies the interests of both the manufacturer of the product and the user, is being contemplated. By making large lot purchases, intermediate enterprises spare the producer the worry of filling numerous small orders and provide an opportunity to insure the more effective use of production capacities. It is also advantageous for the user who in this case receives from the middleman everything required from the trade warehouse in economically small batches and in the required make-up. He makes immediate purchases as the need arises and receives the products according to delivery schedules coordinated with the production cycle of the customer. In many foreign countries, not only small and medium but also large customers enjoy the services of wholesale firms. In Finland, for example, 92 percent of the material resources required in the country passes through an intermediary.

In our country, we envisage bringing the amount of product sales by wholesale trade through USSR Gossnab territorial agencies to 70 billion rubles in 1990 and to 110 billion rubles, in general, through middleman wholesale organizations considering the USSR State Agroindustrial Committee system, that is, more than 50 percent of the products which must be transferred to wholesale trade.

It is understandable that one must back such a decision with substantial organizational measures. We must, first of all, expand the USSR Gossnab commodity distribution network and establish a network of wholesale trade stores located in direct proximity to the user. At the present time, approximately 1,500 of these stores are open; in 1989, their number will be brought to 2,500; and in 1990—to 3,500.

In addition, approximately 500 cooperatives (350 of them are registered), which have been called upon to assist in attracting superfluous and unused resources into operation, have already been organized. In 1990, we think that the number of such cooperatives will increase threefold.

Wholesale trade through the firm stores of ministries and departments will also be expanded in a parallel fashion.

The second avenue, along which wholesale trade must turn, is the expansion of direct contacts between the manufacturer and user of production resources. Quite a



few organizational difficulties are also arising here. That is why the USSR Gosnab territorial agencies, as middle men, have been assigned the task of providing services to enterprises in establishing direct economic ties. This work is already being conducted.

In general, the volume of wholesale trade must reach approximately 200 billion rubles in 1990, and all production and technical products, except that delivered according to a state order, must be transferred to wholesale trade sales in 1992.

If one talks about the future, the expansion of wholesale trade should contribute to the establishment of a socialist market for production resources as areas of free sales and acquisitions of material resources where supply and demand mutually balance each other and where the solvency of the customer is the basic condition for purchasing products.

The establishment of a market is a complicated problem requiring the solving of a whole series of questions such as regulating the price formation system, improving cost accounting relationships, demonopolizing production, financially normalizing the economy—and, of course, advertising products. Producers must pay more attention to the organization of advertising affairs. We are still not accustomed to this.

You will not solve all these questions at one stroke. Serious preparatory and organizational work is required. It is also true, however, that the shift to wholesale trade cannot be put off. The conditions for its expansion already exist now and it is necessary to use them fully.

[Meshcherin] A. Sidorin, a Muscovite, asks: "How do you propose shifting to wholesale trade with a shortage economy?" This question disturbs many participants in the dialogue. "The Tyumentransgaz Association has sent suggestions to 640 factory producers about concluding direct contracts for the delivery of products. It received 181 replies; 31 of them were positive and the remaining were rejections. What is there for the user to do? The old pillars of supply have been destroyed, and the new ones have still not been erected. It is still necessary to study wholesale trade. Who? Where?"—writes V. Parfenchik, who is performing the duties of the association's director.

A. Pichugin, the chief of the Voronezhskiy Rayon Enterprise for Mainline Petroleum Products, talks in his letter about the fact that suppliers propose counter demands during the conclusion of contracts and extort material and equipment needed by them.

A. Belyakov, the chief of the planning sector in the Kalugaputmash Production Association, who fell into a similar situation, is interested in the measures that the USSR Gosnab is taking to balance the requirement for material resources with their production....

[Boyev] I do not think that the shortage of material resources can serve as an argument in favor of preserving their centralized distribution. Moreover, the task is to use wholesale trade as a method for overcoming the shortage.

We are talking not only about a further production build-up but also about the bringing of its structure into compliance with actual demand and the establishing of those conditions under which the continual up-dating and expansion of product variety would become economically necessary for each production collective.

Of course, it is impossible to achieve this only by abolishing funding. Here, you will not manage without restructuring all of the most important elements in the economic mechanism and system for managing the national economy as a whole. It is impossible not to consider this. That is why we have included in the list of products, which are subject to free sales in 1989, basically only those types for which the national economy's need is being satisfied.

Nevertheless, cases have actually occurred where the manufacturer refuses to conclude contracts with individual customers and attempts to limit or even remove from production products which are not profitable for enterprises but which are required by the national economy. There are also instances of direct blackmail by the directors of individual manufacturing enterprises.

The still existing procedure of additional material incentives for enterprises, which fulfill contract obligations 100 percent, also performs a negative role. Under the conditions of directive planning, the use of this procedure was justified. Now, when delivery orders are being abolished and enterprises are forming their production program on their own, the striving of individual directors to take on understated plans and, thereby, guarantee the receipt of additional material incentives is, in my opinion, contradictory to the new management principles.

The pages of EKONOMICHESKAYA GAZETA have already talked in sufficient detail about all this and about the measures which USSR Gosnab has taken to straighten out the situation that has been created. I can only add that enterprises in the various branches had concluded 96-98 percent of their contracts at the beginning of 1989.

If one is talking about the practical results of the impact of wholesale trade on mitigating and eliminating a shortage, the example of Belorussia, Moscow, Krasnodar Kray and a number of other regions in the country is graphic testimony that the abolition of funding usually leads—under the conditions of cost accounting—to a lessening of a shortage, and a balance is achieved through the better use of resources.

I completely agree with V. Parfenchik's views about the need to study methods for trading in the means of production. It is already possible now to name quite a few enterprises that are experiencing difficulties in the sale of products. This is not always evidence of the absence of demand. The reason often lies in the specialists' inadequate competence, poorly organized advertising and the backwardness of the country's commercial information system.

How can the situation be corrected? A number of VUZ have already begun to train students in the specialty "The Management of Material Resources and the Organization of Wholesale Trade for the Means of Production." Ministries will organize such work at branch and inter-branch institutes for raising proficiency levels.

The national automated commercial information system, which is now being established and to which any enterprise will be able to subscribe, will help to remove many problems. The first phase of this system will come into operation in 1989, and we estimate that the work to complete it will be finished in 1991.

[Meshcherin] Many questions are connected to delivery discipline. A. Puzyrev, a worker in the Feodosiyskiy Construction Material Plant, writes, addressing you, Yuriy Petrovich: "In 1987, the plant was supplied only 34 percent of its small-scale alloyed steel and 80 percent of its cement through the fault of its suppliers. From the replies to our claims and suits, it is evident that the USSR and Ukrainian gossnabs transferred the shortage in deliveries for each quarter to the next one by their decisions, letters and telegrams and that they canceled the undelivered assets at the end of the year and relieved the suppliers of any responsibility. We think that this is a very gross violation of delivery discipline and we would like to ask: Who will answer for such disorganization in production? Who will call to order the suppliers, who have thrown aside all restraint, and the supply agencies?"

L. Busarev, a department chief in the Pechenganikel Combine, sees the root of the evil to be the fact that persons, engaged in wholesale trade, do not have responsibility for the variety and availability of products. They have no interest in uninterrupted trade.

What can you reply to these comments?

[Boyev] Actually, such phenomena occurred in 1987. At that time, a comparatively small portion of the industrial branches were operating under the principles of complete cost accounting. The ferrous metallurgical enterprises and construction material industry were only just preparing for the shift to the new management conditions.

The collectives of a number of enterprises producing cement and rolled metal accepted counter-plans which they did not manage to fulfill completely although the

production volumes reached exceeded the five-year plan's targets. This also affected the supply of individual consumers, especially those who received products in small amounts. It would be unjust to institute proceedings against the suppliers for this—the collectives had expended quite a bit of effort to provide additional products for the national economy. However, the claims of the holders of capital are also fully justified. Where is the exit from this "vicious circle?" The progress of the radical economic reforms itself suggests it.

Under the conditions of the USSR Law on a State Enterprise, manufacturers plan production on their own, considering their capabilities; sell products, which are produced above the state order or control figures, on their own in accordance with contracts with users or material and technical supply organizations; and are completely responsible for the fulfillment of contracts. In order to defend the rights of users, the government approved in 1988 the Statute on Deliveries, which clearly defines the responsibility of suppliers.

When there is a shortfall in deliveries, they are obliged to pay the customer a forfeit. If its amount does not cover the customer's losses, the customer can recover the entire amount of the loss from the supplier. Neither USSR Gossnab agencies nor the ministries can take the violators under their protection.

Concerning the responsibility of persons engaged in wholesale trade for the availability and variety of products, this responsibility should primarily have an economic nature under the new conditions. Poor work should lead to a reduction in the incomes of labor collectives and, thereby, to a decrease in the wage and material incentive funds. Labor collectives themselves will be able to handle negligent workers. For this purpose we transferred the USSR Gossnab territorial agencies—the main link in wholesale trade—to complete cost accounting and self-financing in 1989. This will increase their responsibility for the quality of their work better than any administrative measures.

In order to insure the interest of our organizations in raising the quality with which customers are serviced, differentiated warehouse extra charges were introduced depending on the size of the lot and the timeliness in fulfilling requests. Deliveries according to schedules and complete batches and informational and commercial mediation services are being stimulated. Competition and the struggle for the best satisfaction of the customer's orders are being introduced into the work of middle men.

Thus, under the new management conditions for a wholesale trade enterprise and organization, the manufacturers and users of products are becoming economic partners who enjoy equal rights and who have identical responsibility for their work results. This should provide elbowroom for initiative and insure a more optimum combination of collective and national interests.

[Meshcherin] A. Vlasov, a docent at the Ufimskiy Petroleum Institute, is interested in the difference between the concepts "allocations" and "assets": "I have never encountered any differentiation in these concepts in economic theory, textbooks and directive documents. In my opinion, any isolated term should have a specific semantic meaning. Perhaps each of these concepts is used separately in the USSR Gosnab's practical work? In such a case, who establishes one or the other for enterprises, and when? What should we primarily renounce during the shift to wholesale trade—allocations or assets?" Other readers express the fear that Gosnab needed the "change of signs" only to establish visibility for restructuring....

[Boyev] The introduction of the term "allocations" to replace the more customary definition "assets" is connected to the change in the content of the concept itself. What are "assets"? On the one hand, they are the amount of material resources allocated to a ministry or customer enterprise to satisfy its needs. On the other hand, the manufacturer or supply and sales organization did not have a right to deliver products to the user without assets regardless of whether that product was produced according to the plan or above it. Fund-free sales were regarded as a gross violation of state discipline and those guilty of it were punished.

An allocation is the maximum amount of allocated material resources whose receipt is guaranteed by the duty—defined by law—of the manufacturer or material and technical supply organization to conclude a delivery contract with the customer. In doing this, however, the supplier has the right to stipulate in the contract the delivery of products above the allocation allocated to the customer or to conclude contracts with customers who have not received allocations for these products at all.

In other words, the supplier has the right to free sales of his products in that portion of it which is distributed without allocations. Certain types of products defined by law, such as, for example, gold and other valuable metals, are an exception.

Thus, modern allocations limit the independence of enterprises to an extremely lesser degree than the previous assets. Thus, real practical measures stand behind the replacement of the term.

[Meshcherin] In the opinion of several of our readers, quite a few additional complications are arising in connection with the step-by-step transfer to wholesale trade. For example, Yu. Nikolayenko, a supply engineer from Kherson Oblast, writes that there is no clear differentiation: What is it possible to acquire using only direct links, and what—exclusively in a centralized manner. From his point of view, it is not clear from Gosnab documents how one can obtain metal-cutting machine

tools. He turned to the ministry and they replied: "Conclude contracts and we will support them later with allocation letters." Evidently, such cases are far from isolated ones? How can one avoid this mess?

[Boyev] I think that such questions arise because several ministries and departments have not relayed the necessary documents and nomenclature lists to their enterprises in a timely fashion.

You see, the list of products, being distributed according to allocations, is clearly defined by a model which shows the interconnection of control figures and the state order. The USSR Council of Minister approves it. This products list was sent to the ministries, departments and our territorial agencies. Everything, which is not included in it, is wholly sold under the wholesale trade system in accordance with direct allocation-free orders from customers or material and technical supply organizations.

I would add that, in order to abet direct economic ties, USSR Gosnab agencies conducted regional wholesale fares in August-September 1988, during which a relatively broad list of products from the metallurgical, chemical, machine building, and other branches of industry was offered. As a result, experience is being acquired, and—based on it—a mechanism for forming economic ties under wholesale trade conditions is being put together.

If any questions nevertheless arise, any enterprise can obtain the necessary information in the commercial centers of USSR Gosnab's territorial agencies.

[Meshcherin] Commercial (middlemen) centers are being established in the USSR Gosnab system and are already operating in a number of main supply administrations. What are their missions and how is their work being constructed? I. Romanov, a lawyer from Poltava, and other participants in the dialogue ask about this.

[Boyev] As I have already said, a considerable portion of production was transferred in 1989 to sales using direct allocation-free orders and can be acquired by customers on their own. However, to do this, the customer must know who is producing the product required by him, whether the manufacturer is accepting orders for delivery, and—if he is accepting them—then under what conditions (amount, time frames, prices, increments, rebates, delivery methods, etc.). The commercial centers offer this information for the appropriate fee.

All-union and regional banks of commercial information and automated information search systems connected into a single complete system through USSR Gosnab's informational computer network are being established in order to guarantee this work. In other words, an all-union commercial information system is being established. The commercial centers will become the main link in it.

In addition, commercial centers are already now helping enterprises—on a commission basis—to sell the unused material resources that they have: They publish information bulletins, organize exhibition fares and seek out buyers or partners for exchanges. In the future, they will provide services to enterprises in organizing the sale of products, including the advertising of new materials and items, the study of the demand for a product, including new ones. The commercial centers will be able to look for suppliers when commissioned to do so by customers, coordinate delivery conditions with the manufacturers and conclude contracts in their name.

I think that the assistance of the commercial centers will help to establish direct ties between customers and manufacturers and will permit enterprises to reduce expenditures on organizing the supply and sale of their products. A total of 113 commercial centers have already been established; during the present year, they will operate in all territorial bodies of the USSR Gosstab.

[Meshcherin] Yuriy Petrovich, would you please comment on the following group of letters. E. Pleznitskiy, our reader from Rostov, asks: "Is the elimination of the departmental system of material and technical supply through ministry main supply administrations planned?" He thinks that this would be a correct solution. N. Simon, the chief of the Orbit shop in the Sakhalin Oblast radio and television transmitting center, has a similar question: "If we will be satisfied through wholesale trade, will it be possible to rid ourselves of the services of the departmental supply organizations?"

[Boyev] Actually, many departments have their own supply organizations. A large portion of them duplicate our wholesale trade enterprises in the territorial bodies and they function ineffectively and with large costs. This leads to the scattering of resources and, in the final analysis, makes the customer's supply more expensive. The preservation of this situation would simply be foolish. We are performing the appropriate work along this avenue, primarily in organizing effective work by USSR Gosstab's inter-departmental trade enterprises which can assume the supplying of any customer. It seems to me, however, that we do not need a monopoly by some department under the new management conditions but rather a competition between organizations performing similar tasks.

For products whose sale is carried out within the wholesale trade system, the customers have a right to select their supplier based on their review of the product's manufacturer or wholesale trade middleman. The selection will depend on the quality of service, the energy in getting things done, and the volume and variety of services offered. It is evident that under complete cost accounting and self-financing where the viability of an organization is determined by its work effectiveness under economic competition conditions, enterprises will give preference to large trade middlemen.

It is natural that ineffective departmental offices and bases will be simply not required.

[Meshcherin] There are quite a few villagers among the participants in the dialogue. The letter from S. Shklyayev and V. Nikitin, builders from Ryazan Oblast, rather accurately transmits the content of their questions: "The fulfillment of the Food Program, including the development of the non-Chernozem area, is one of the most important tasks. Why then is equipment, motor transport and small-scale mechanization being rarely and in minimal amounts allocated to rural builders?"

[Boyev] In our country, we are producing sufficient construction and mechanization systems. The trouble is that they are being poorly used, including by rural builders. Here are several examples: Single-bucket excavators operate on the average only 9.8 hours a day in the USSR State Agroindustrial Committee system; and bulldozers—only 9.4. Motor transport is being used less than 60 percent.

All this testifies to the fact that thrift and the maximum use of equipment have still not become necessities. The shortage of equipment and its artificial scarcity arise from this, although there would be a surplus with the existing amount with good bosses.

I do not doubt that the state of affairs will change when construction organizations learn to work under the conditions of complete cost accounting, begin to count each ruble and acquire only the equipment required by them.

For now, it is necessary to distribute it according to allocations through the ministries and departments, including through the USSR State Agroindustrial Committee. They will allocate equipment to their subordinate organizations based on the tasks being solved by them.

I would like to add that special attention is being paid to the development of the non-Chernozem and the supply of rural builders. The government has adopted a special program to solve one of the main questions—the construction of roads in the non-Chernozem. The necessary resources, including construction equipment, are being allocated first and foremost to this work.

[Meshcherin] I. Komarovskiy writes: "The collective of the Malinskaya Paper Factory of UkrNPObumprom has already been constructing social and cultural projects for more than 30 years using their own resources. They have managed to do a lot during this time. However, the projects, built using their own resources, are supplied with construction materials according to the residual principle and in the last place. Can such a state of affairs be considered just?"

[Boyev] Honestly speaking, I. Komarovskiy's question has perplexed me. The fact is that in the not too distant past, resources for construction being performed using



ones own resources, were practically not allocated in actuality. It was necessary to get them "under the table." Now, centrally distributed resources to support construction being carried out using one's own resources are being allocated according to the same norms as those for contract construction.

Moreover, since 1987, USSR Gosstab has been supplying specific projects being built using one's own resources through its territorial agencies with a consideration for actual requirements. Resources are being especially allocated for these purposes. All orders for materials required for construction being carried out using one's own resources are being accepted in the full amount of the requirement. There can be a hold-up only in the event that the enterprise itself is not able to insure the timely preparation of design plans and specifications and estimates or does not have sufficient financial assets at its disposal.

I will say with all certainty: We consider construction using one's own resources to be one of the priority avenues in technical and material supply. It is not possible to talk about the "residual principle" in this case.

[Meshcherin] The participants in the dialogue request that you talk about the system for supplying material resources to cooperatives. N. Sergeyeva from Leningrad inquires whether cooperatives have equal rights with state enterprises in the receipt of automobile spare parts. A. Prishletsov, deputy chairman of the Moscow Byt cooperative, says that cooperative members are ready to repair apartments and service premises for state prices, but they are experiencing difficulties in obtaining construction materials. What can you, Yuriy Petrovich, say about this?

[Boyev] If you have in mind products sold using wholesale trade according to direct allocation-free orders, then cooperatives are equal to state enterprises and organizations. They can conclude delivery contracts with USSR Gosstab territorial agencies, USSR State Agroindustrial Committee material and technical supply organizations, and other ministries and departments as well as directly with manufacturing enterprises and the firm stores of enterprises and ministries without any limitations. In this respect, a cooperative can participate in wholesale fairs, purchase the products needed by it from its participants and acquire products sold by wholesale trade organizations on a commission basis. USSR Gosstab territorial agencies are organizing permanently operating sales exhibitions and are conducting auctions for the sale of particularly scarce and qualitatively new products and equipment. Cooperatives can acquire these along with state enterprises and organizations. Concerning spare parts, including automobile spare parts, a state order has not been stipulated for them in the 1989 plan. They are sold to all customers, including cooperatives, freely and without allocations.

Now, about those types of material resources that are still being distributed according to allocations. Based on the principles stated in the Law on USSR Cooperatives, a procedure for supplying cooperatives with products of a production and technical nature has been developed. The essence of this document boils down to the following: If a state organization has concluded a contract with a cooperative for the production of products or the performance of work, it is obliged to supply it with the necessary material resources.

[Meshcherin] Thank you, Yuriy Petrovich, for the interesting conversation. As you understand, the participants in the dialogue still have very many urgent questions, connected with the organization of supply, in reserve. *EKONOMICHESKAYA GAZETA* plans to continue this discussion during a "round table" session on the subject "The Customer's Priority: How To Supply Him?" I would like to use this occasion to invite you to our "round table."

[Boyev] Indeed, many difficult questions are arising during the restructuring of material and technical supply. The development of new approaches to their solution requires weighty evaluations and the consideration of different points of view. A "round table" meeting, conducted by the editorial board, can provide considerable help in this. USSR Gosstab is prepared to participate in the discussion.

#### **Panel Discusses Bunich's Proposals, Problems With Wholesale Trade, Ministries**

18200189 Moscow

*MATERIALNO-TEKHNIЧЕСКОYE*

*SNABZHENIYE in Russian No 1, Jan 89 pp 15-19*

[Roundtable discussion at the Moscow Institute of the National Economy imeni G. V. Plekhanov by S. Voronin, assistant dean; D. Novikov, head of the Department of Material-Technical Supply; S. Shibayev, assistant dean of the Commerce Department; Ye. Grebnev, dr of economics and professor; A. Meshko, docent; E. Kubrin, docent; and Ye. Golikov, docent: "Without a Socialist Market, Cost Accounting Models Do Not Work"; first two paragraphs are *MATERIALNO-TEKHNIЧЕСКОYE* SNABZHENIYE introduction]

[Text] It is already not the first time that Pavel Grigoryevich Bunich, chairman of the Council of the USSR Academy of Sciences for Problems of Cost Accounting and Self-Financing of Industrial Enterprises and corresponding member of the USSR Academy of Sciences, has appeared in our journal. His opinions and suggestions concerning the perfection of the economic mechanism inevitably call forth interest among the readers. They are widely discussed, specialists talk about them, some suggestions are disputed, and people find in them support of their own ideas. A wide response was also called forth by his discussion with a correspondent of the journal (cf. *MATERIALNO-TEKHNIЧЕСКОYE*

SNABZHENIYE, No 12, 1989], which created the occasion for an interested exchange of opinions concerning the essence of the problems touched on for teachers of the Moscow Institute of the National Economy imeni G. V. Plekhanov [MINKh] and students of the VIPK [All-Union Institute for the Improvement of Professional Skills] of the USSR State Committee for Material and Technical Supply.

The following took part in the roundtable dialogue in the Moscow Institute of National Economy imeni G. V. Plekhanov: S. Voronin, assistant dean; D. Novikov, professor and head of the Department of Material and Technical Supply; S. Shibayev, assistant dean of the Commerce Department; Ye. Grebnev, dr of economics and professor; A. Meshko, docent; E. Kubrin, docent; and Ye. Golikov, docent.

Leader: In his statements in the journal, in particular in his discussion with the correspondent of the journal, Pavel Grigoryevich Bunich underscores that the first and second models of cost accounting do not induce labor collectives to try to attain high end results of their activity. In his opinion, the interests of the state and the workers of enterprises are most fully met by the lease contract, or, as it is often called, the third model of cost accounting. What are the views on this question held by the participants of our discussion today?

A. Meshko: In my view, the arguments of Bunich in regard to the first and second models run counter to the Law on the State Enterprise. He holds a discourse on the distribution of earnings, which does not correspond to the law. He also treats the difference between the models incorrectly. He points out that in one case the standard material costs are deducted, in another case—simply the expenditures. In the Law there is no such thing. In the first model, the wage fund is not formed from a standard net production, but from the norm of net production.

It seems to me, it should be underscored that cost accounting income in both models is divided on the basis of norms that are established by ministries and departments, which continue to put into effect administrative-bureaucratic methods of management of a different color by means of the norms. The third model differs in that the norms are absent, and cost accounting income is distributed by the collective itself. Here only two principles operate: First of all, the rates of the development of production must correspond to what has been agreed to in the agreement on the lease contract, and, secondly, for the labor productivity growth rates to outstrip the wage growth rates.

Rejoinder: No, he states that the first model establishes the standard wage. And no matter how you work, this standard wage is paid nevertheless. But under the lease contract, the wage depends on the contribution.

A. Meshko: Not quite. There are hidden rocks here. There exists an instruction of the USSR State Committee for Labor and Social Problems, which establishes a scale of wage rates and salaries. You can have a large wage fund, but you do not receive more than is indicated in the scale. You obtain a wage fund economy which cannot be spent for anything.

D. Novikov: And the first and the second models ensnare the enterprise by hand and foot.

Rejoinder: Dmitriy Timofeyevich, may I make a slight correction? Not the models, but the ministries and departments, with the aid of the models ensnare. . . .

D. Novikov: I would like to say something else. Once they have developed the model and envisaged the algorithm of ensnaring, then the model itself ensnares by the fact that the norms, as Bunich correctly noticed, are established from the existing base wage fund. Let us assume, the enterprise received such a gross income or commodity turnover, if we are speaking of a material-marketing organization, that gives it the right to more wages. And what do you think? They will for sure correct its norm.

Correct is also the fact that a special instruction exists. And one highly-placed official from the State Committee for Labor and Social Problems put it this way: "Only through my work will the salaries of the leading workers be established arbitrarily," although the 14th article of the Law on the State Enterprise stipulates that upper limits of salaries are not established.

Even in the operation of some third model nothing in the meaning of restructuring will be solved. Bunich for some reason thinks: One only has to make the transition to the lease contract, and the bureaucrats will begin to disappear by themselves, they will automatically not prove to be at their post, and their influence on the managers will fall off. Nothing of the sort. Since the income of the collective depends on the end results of its activity, and the well-being of everyone—on the personal contribution to this result, the question arises: Who will formulate and assess the end results? If the ministries with the aid of plans, then they will also indicate, are they stepped-up or not stepped-up, and within the limits of the plans—resource-intensive production, whose dispersedness within the products list groups comes to 30 percent. To some, they will give stepped-up plans as end results, to others—plans that are not stepped-up. The same will happen with material-technical provision.

Besides, any enterprise, to the detriment of the state, can make the indicators, but not fulfill the plan.

Another question arises: What is to be done in order for the end results of work according to the third model, proposed by Bunich, to look to the real needs of society? And this can be attained only through the market mechanism of self-regulation. For us—through wholesale

trade, for which it is necessary for the enterprise to have independence not only in the distribution of internal reserves, but also in the formation of the production program, the choice of supplier, consumer, and intermediary, conforming with effective demand, that is with the market. It is also necessary to eliminate monopoly. And the main thing—the price must reflect not only the socially necessary expenditures, but also the social utility.

And the last thing. As the ministries and departments have not been deprived of power, we have not carried out a revolution, but a reform. Therefore, there is no need to scold them, as Bunich does, but to arouse interest, how the lower and middle links aroused interest. In other words, in order for the ministries and departments to be direct participants in the distribution of profit obtained by the enterprises under their care. This, evidently, can be done at first in the form of an absolute rent, as in its time the bourgeoisie paid the feudal lords, and then—differential rent according to their participation in the development of the enterprises. Without the realization of such a proposal, they remain enemies of restructuring and do everything to slow it down.

I do not want it to sound as if Bunich comes out as the dominant influence. He talks about trivial things. Even when a third, ideal model will be in operation, the power of the ministries and departments as such will not turn out to be eliminated.

Rejoinder: Even under the rent contract, they take away the greater part of the profit.

D. Novikov: Of course, they can strangle [the enterprises] with taxes, as was done with chauffeurs and cooperatives. Upon obtaining a certain income, the enterprise simply stops working. Our ministries and departments have thousands of methods for clogging up the valves of restructuring. You see, many bureaucrats have been deprived of all the privileges they possessed in the shady economy. And people want that they should take up restructuring with the same enthusiasm.

Ye. Golikov: Enthusiasm is relative, of course. But nevertheless not correct. In any case, the state enterprise workers envy the cooperators. It is universally recognized that a reform must be supported by the mass from below. But why do they eliminate, what is more oblige the ruling apparatus with anti-restructuring forces? It is not necessary to antagonize the so-called class of bureaucrats, but one should arouse its interest. Already in 1929, a decree came out in our country in which it was stated that the wages for top-level officials should not be increased. This deprives them of any stimulus and calls forth opposition. Thus, it is necessary to turn over economic interests, to make such officials not enemies, but allies.

It is strange that the most qualified and active part of society for some reason and without foundation is called the braking mechanism. But this is not the point, we have enough bureaucratism in our country, but it is necessary to change these people. I am convinced: About 80 percent of them will work rather well. And the loafers will depart, who exist only thanks to connections. In short, the problem is a big one. It is impossible to simply discard such a part of society.

S. Shibayev: Enterprises in the system of economic relations, it seems to me, are not equal only with respect to the ministries, but also with respect to all other departments: Gosbank, Gossnab, Gosplan, etc. But, you see, it is precisely the enterprises which create basic material wealth. The economic situation will not change until we restructure these relations.

S. Voronin: Pardon me for breaking in. We talk about the first model of cost accounting, the second, the third. . . . I am not convinced that after some time Bunich will not propose some sort of new model. The point is that we are taking only one link in the chain—the enterprise—and transfer it to cost accounting. But it is necessary to make the transfer to a cost accounting model of management, where there is a place both for the organs of state administration and the enterprises.

And more. For some reason, all rush to find fault with the things which only yesterday they praised. And later on they will find fault with the new as well.

In my view, in a country such as ours it is impossible to experiment. And we are doing this on the living organism of the national economy. Is it not simpler to take an economic region, individual links and conduct the experiment. Having perfected this or that model, to say: This suits us, and this does not.

Leader: Stanislav Nikolayevich, the models being examined went through experiments in individual enterprises before they began to be introduced everywhere.

S. Shibayev: Those enterprises had advantageous conditions created for them. Then they found themselves not in the class of corresponding partners of other experimenting [enterprises]. Some enterprises, of course, can attain great successes, using some model. The question lies again in what served as the stimulus of development, and how it will go further.

S. Voronin: Any model of cost accounting during the first period, figuratively speaking, skims the cream off, intensifies labor, not falling into the depth of the process. But we cannot perfect the organization of labor and create a market and competition until this model starts to work so as for the equipment and technology of production to become restructured.

D. Novikov: Another question, is a third model possible in the conditions of the absence of a socialist market in the full sense of the word, that is in which the interrelations between enterprises are regulated through market relations of self-regulation. I am deeply convinced: Within the framework of plan-organized structures, where the plans and their safeguarding are assigned from the above, and this depends entirely on the higher links, no model of any kind will work.

Bunich does not answer the question: Is the lease the property of the collective or of a group of the administrative center, which comes forward as a joint-stock company and hires the rest. In the cooperatives, all have already experienced the difference in this. When there is single cooperative property, there is no sense, because everyone considers himself as the owner, his work as more productive, and the reward for it as unjust. Here all the contradictions of public property are repeated within the framework of cooperative property. And only those cooperatives function well where joint-stock companies are created on the basis of contribution, or where an alliance of like-minded persons is created, and they hire the rest as manpower. They give them what is fixed by the labor contract, and the profit they divide among themselves. Bunich does not say how they will lease, let us say, an enormous plant, where thousands of people with different views, purposes, and abilities, and redistribution relations will predominate over the production people, as it was within the framework of social property.

Ye. Grebnev: In practice, they conclude a contract with the very ministry which appears as the state owner and gives for lease, for example, the Sumy Scientific Production Association imeni Frunze. It concluded a contract with the USSR Ministry of Chemical and Petroleum Machine Building, in which mutual obligations are stipulated. A few words about the so-called dominant influences. In 1986 they took us for a ride with the economic experiment. Then they started to talk about the extraordinary force of the second cost accounting model, and now they have new ideas—various tax assessments of three economic incentive fund: including rent. But to take the Law on the State Enterprise, which has not been operating up to now. By whom was it created? By the predominant influences. But in it there is not a word about leasing. And there are many problems here. For example, from whom to take enterprises on lease. If from the ministries, then they will be perpetual satellites of our economy and will not let the enterprises develop.

Another problem is what should the tax from leased enterprises be, in a firm sum or in the form of a percentage of the cost accounting income? Bunich touches on this question, but there is no answer to it. There are only different opinions. Basic attention is being devoted to the formation of economic incentive funds and deductions into the budget. But certain conditions are necessary without which the best mechanism

does not start to work. And these conditions for some reason are relegated to second place. The same prices, the convertible ruble, the market.

Let us suppose, all enterprises are working on the lease contract, there are no norms for the distribution of economic incentive funds. True, Bunich nevertheless proposes one norm—the limitation of the wage fund by the growth of cost accounting income. At the same time, all resource conservation drops, because it is already embodied in the material expenditures, and the enterprise is interested in seeing to it that more resources are expended.

As a result, the money mass increases, but there is no commodity coverage. Thus, inflation does not decrease. We actually do not have an anti-inflation program.

S. Voronin: Yevgeniy Tikhonovich, perhaps all of this happens only because we have a ruble that is different everywhere. The one which lies in your pocket is one; the one which goes into capital investments is another, etc. And the norms are also proposed in terms of different rubles. But, you see, the money is the same, no matter in what fund it is.

Ye. Grebnev: It is necessary to stop printing superfluous money without end, to lower state expenditures. And to pay for everything with one and the same money.

D. Novikov: As in any normal countries. When I talked about the interest of the ministries in additional money, I meant that they will be earned through the sale of commodities necessary to society on the market.

Rejoinder: On what market? The consumer market or the market for products of production-technical designation?

D. Novikov: Sooner or later, a consumer market will call into being a market for the means of production, and they will come out with such commodities as ordinary shirts. This is natural for any well developed market. And only there can there be genuine marketing. But once you sell machine tools that are needed by society, and not the slipshod ones which we now make and which in terms of weight exceed the American machine tools by a factor of 11, you simultaneously will create both commodities and money for their payment.

E. Kubrin: I shall return to the cost accounting models. It seems to me, even three is little. The point is that in the national economy we practically do not have any classification of sectors and enterprises by systems of incentive models. The one which is closest to market relations is the cooperative model. But in it there is a form of stimulation which figures also in the present-day three cost accounting models. The normless [model], which Bunich talks about, probably is closer to cooperative use.



In my opinion, we should somehow reflect its specific character as well. A characteristic example. The workers in material-technical supply, in terms of the wage level, are the very last in the national economy. The transfer of supply and marketing organizations to cost accounting is not yielding adequate growth in the output of the means of production. At the same time, they will search for the shady side in order to secure adequate income for themselves. You see, we have put their workers in conditions, where the growth rates of their wages cannot come into conformity even if only with the average level of wages in the national economy.

D. Novikov: The fate of restructuring will depend not only on how we interest the upper echelons of power, but in many respects on whether the country and its top-level organs is prepared for the painful state of the economy, which always accompanies the transition from a plan and directive mechanism to a market mechanism of self-regulation.

Let us imagine that enterprises are put on the lease contract and are given complete freedom of action from the point of view of the output of products necessary to the national economy. The director of this enterprise goes to the market and explains that he needs products in such and such a form. But he also comes with another goal: To clear up whether he is able to purchase resources towards this production. He is told, they are not available. Thus, the enterprise will make, from what it obtained, what the market needs. And it is not excluded that it will produce products which it supplied (and obtained) on the basis of limits. Hence there is sure to be a fall of the indicators of the entire five-year plan.

But the director in the end is sure to discover the market, through the commercial path with the assistance of Gossnab will find connections, and, after 70 years of Soviet power, little by little will begin to turn out the products needed by society, and not by the market of indicators, or by our bureaucrats in order to receive a decoration, medal, and dividends of any kind. But this period, and here Bunich is absolutely correct, is like a bad tooth, the longer we put off its treatment, the greater complications it will produce.

Time is working against us. Sooner or later, we will have to come to that conclusion. And here I agree with Abalkin: It is impossible to carry out capital repair of the entire national economy and in so doing to maintain the high indicators, which were always the result of slipshod work and profanation. Capitalist countries do not fear periodic crises and falls in production, because they assess their achievements not as a progressive movement forward, but as achievements after a certain period. At the beginning of the period there may be a slump, at the end—a powerful boom, and as a result the overall period will produce a good final result. But in our country there is only one cycle of ascent. God forbid that there be a reduction of only one indicator.

S. Voronin: One more thing, Dmitriy Timofeyevich. I agree with what you said. The question is the following. About the structures and organs of management. Will there be a Gossnab, will there not be a Gossnab, will there be some other information-commercial centers, we should always clearly imagine that a system of wholesale trade and a system for the management of material resources exists in any economic formation. Tomorrow they liquidate Gossnab, but the system of management remains, and the wholesale trade will also be an obligatory link in this system. For this reason, it is necessary to begin with the change, above all, of functions. Structure is a derivative of functions. We are always undertaking structural reorganizations. And here the most, to put it more mildly, outrageous changes in structure recently are the structure of the presently-existing USSR Gossnab. It does not blend in with the economic mechanism.

D. Novikov: I would like to speak a couple of words in defense of Gossnab. Nevertheless, one must be objective. The whole business consists in the fact that, when we carefully studied the conditions of the transition to this market trade about which we talked, and enumerated all the prerequisites, it turned out that they do not depend on Gossnab. But, if even only one of these prerequisites is not fulfilled, the market mechanism is so fragile a thing that from a productive it is made into an anti-productive [mechanism], which works against the national economy.

And Lev Alekseyevich Voronin understands this well. He says that, until these conditions will be created, for example, such things as the change of prices, the granting, to enterprises, of the complete freedom in accordance with the same model which Bunich mentioned, the elimination of the monopoly of the supplier, and the creation of a standard mechanism for the regulation of public production with the assistance of indirect regulators, that is the guarantee of the rules of the game that are necessary for socialism, without these conditions, it is senseless to talk about the transfer to free trade. In these cases, the enterprises fall into the most difficult situations. Then Lev Alekseyevich says: Until this will be created, we will be engaged in the wholesale trade which, though only a little, facilitates supply and introduces elements of commercialization and freedom. And in this case he is right. But Gossnab, I will tell you honestly, is ready for a new function, for the solution of new tasks in the conditions of the most properly developed wholesale trade in the form of a commercial and information intermediary, as well as an insurance guarantor. Gossnab is not only ready, but it is already now creating a powerful system of control with the aid computer technology, which is preparing itself for these functions in conditions of economic pluralism. But, I emphasize, it is not so much Gossnab which in this case is the braking force, but mainly the ministries and departments, the State Committee on Prices and the State Committee for Labor and Social Problems, which do not allow the enterprises to go after these commodity relations. And this turns on the model which we are discussing.

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### Sections of Draft Law on Output, Consumer Protection Critiqued

18270076 TRUD in Russian 18 Mar 89 p 2

[Article by A. Volodin, director, "Smolobl'teleradiobyt-tekhnika" oblast production association: "Lawlessness at the Counter. A Proposal to Strengthen the Draft Law On Product Quality and Consumer Protection"]

[Text] As long as I live I see our all-out struggle for product quality.

We are now invited to discuss the draft of a law which, as I understand it, will put an end to scandalous practices in this most important sphere of our economy once and for all.

The authors of the draft law set themselves a wonderful goal. The time has long been right to protect the consumer, i. e., each of us, from the arbitrary action of the manufacturers. And the draft law is oriented toward this. But...

While I do not wish to offend the authors of the draft, I cannot but express my most general impression of this document. It struck me as one more of an extremely large number of decrees designed to "strengthen," "raise," and "rigidify." To my way of thinking, the draft law is one more attempt to regulate existing relations between manufacturers and consumers in the spirit of peremptory traditions [administrativno-komandnyye traditsii] even though the heart of the matter is seen to lie in radically altering these relations in accordance with the economic reform that affirms the priority of specifically cost accounting relations.

I will not be so bold as to judge all the sections and articles of the draft in detail. But I will try to confirm my thought by analyzing only the part of it that directly concerns the range of my work and the activity of our service,

I refer to Section V of the draft: "Consumer Rights Protection." The first three articles of the section (26, 27, 28) declare the consumer's right: to the acquisition of products of the appropriate quality; to establish societies for the protection of consumers' interests; and to receive adequate and sufficiently complete information about the quality of acquired products. They are, of course, important points but they are not particularly pivotal. But the next article—Article 29—is the key article in this section if not in the entire draft. It is specifically this article, or more correctly, its second and third subparagraphs, that totally nullifies the meaning of the first three articles and even the first part of the article proper which treats the consumer's right to return, repair, and replace defective products. What is more, the two named subparagraphs are designed to legislatively perpetuate the present absolutely rightless status of the consumer, especially the individual consumer, before the producer.

Why? According to subparagraph 2 of this article, you may return or exchange a defective, technically sophisticated product (essentially all household appliances) only on the condition "that the flaw that prevents the product from being used for its intended purpose cannot be eliminated at the place where the product is in the consumer's custody or at an authorized repair shop within the warranty period." Yes, dear reader, we once again, now "legally," are granted the right to drag a malfunctioning refrigerator, television set, or tape recorder to an authorized repair shop. Like now, it will be easier for us to have a heart attack than to obtain authorization to exchange a clearly defective item.

But if up to now all this has been the most flagrant violation of the Principles of Civil Legislation of the USSR, we are now told that this "procedure" will be made the norm. Article 41 of the Principles, which incidentally were adopted a quarter century ago, defined the consumer's rights very succinctly and unequivocally: the consumer has the option of demanding the replacement of a defective purchase, or the elimination of defects free of charge, or, finally, a refund. Without any ifs, ands or buts. The choice of option is the consumer's absolute right.

The law, as you see, is much more radical and categorical than draft law that is proposed to us. The only unfortunate thing is that it has not been carried out. Departmental instructions, which are naturally one-sided and partial and which are still frequently presented to us as laws, have totally emasculated its sense and force. But nevertheless this was done in violation of this very article. The draft suggests that we perpetuate the consumer's martyrdom and that we liberate sliphod workers from economic and legal responsibility forever.

The natural question is: when we establish a legal state, are we going forward or backward? In the given instance, we are clearly going backward. In order to really protect the consumer against the tyranny of the suppliers, we must not make a fuss, but must adopt a short law that rescinds all departmental amendments and supplements to Art. 41 of the Principles of Civil Legislation of the USSR. Frankly in this part of the draft I can clearly see the "ears" of the departmental legislators. For example, subparagraph 3 of the same Art. 29 also places in the hands of the manufacturer, trade, and the warranty repair service a powerful weapon against the consumer. It states that the consumer's rights are lost if the consumer is to blame for the product becoming defective. I assure you that an excuse can always be found to place the blame on the consumer, especially in the case of sophisticated household appliances: he did not turn it on properly; he did not install it properly; he pushed the wrong button; he broke the seal, and so on ad infinitum.

The most deplorable thing is that trade and consumer services have no alternative. They are placed under such economic conditions that they are compelled to join forces with the manufacturers against the consumer and fleece him.

How does this happen? What manner of mechanism is operative here? Let us begin with the fact that our trade is not at all trade in the classical, generally accepted understanding of this word, but is rather a distribution system. Everything that industry produces for sale is placed on a gigantic counter and is immediately paid for whether the good is sold or not. Since the beginning of the world, not a single manufacturer has had such ideal and, it must be said, corrupting conditions. The sense of any kind of production consists in producing a good, selling it, and realizing a profit. This is a single, continuous cycle that is united by a common economic task. The manufacturer either markets the product himself or else resorts to the services of trade for a certain fee. Trade is not the consumer, but is only the middleman between the manufacturer and the consumer. Nor is trade answerable for the quality of a product if it is not in demand and returns it to the manufacturer.

In our country, however, this logical economic chain is artificially broken. Even if a product does not sell, even if it lies in the warehouse, this is no longer the manufacturer's concern. Let trade extricate itself: write it off, discount it, force it on...

In order to camouflage this anomaly, industry and trade have invented a convenient loophole, a clever subterfuge: repair under warranty. Let the consumer himself go to the trouble of getting something repaired. And incidentally pays for it. The subterfuge is that the cost of warranty repair is built into the price of an item. In a word, the manufacturer has protected himself from all sides. He is never the loser. Nor does trade have to bear responsibility for the sale of a flawed product. It does not take the product back. All this lies on the shoulders of the consumer, the population, you and me.

We, the warranty repair service, also take the consumer for a ride. It's one thing if you live in the city, but if you live somewhere out in the boondocks where there is not even bus service, you are in a bad way. In order to exchange a television set, for example, you have to bring it in for repair five times. Five times! Even though our specialists can usually clearly see the first time this television is repaired that the situation will never be corrected. But even after five repairs, it is not to our advantage to authorize an exchange. The manufacturers will persecute and rob us. They will call our representatives in and try to prove that we have not performed our obligations, that we have violated the terms of the contract. As a result, our travel costs alone will exceed the cost of the set. We, too, are therefore compelled to act against the rightless and defenseless consumer.

It is a vicious circle. Judge for yourself: can we seriously talk about raising product quality, especially the quality of consumer goods, if we legalize—as the proposed draft would have us do—this flawed system for fleecing the consumer and a procedure that excludes responsibility of manufacturers for their defective products or for the low consumer properties of their products?

The strength of the law, as we know, lies in the inevitability of punishment for its breach. If manufacturers know that its obsolete or simply worthless products will inevitably be returned to its own shops, that it will have to correct or remake them at its own expense, that it will have to pay shipping costs and trade services, they will think twice before allowing such goods outside the gates of their enterprises. I believe that it is this kind of order that the new law should reinforce. Moreover, the warranty period for costly and sophisticated products should approximate the warranty period in the world market; this period should be set not by the manufacturers themselves, but by an independent body. Otherwise, we will not soon make our products competitive in the markets of the developed countries. In a word, if the population continues to pay for industry's flawed products, we will make little headway in our exhausting struggle for quality. But the draft presupposes this very thing.

And that is not all. It opens the door to legalizing the colossal expenditure of society's material and labor resources without the slightest increase in national income. I am not exaggerating. We are talking about expenditures that are truly irretrievable.

In the current year, our association, which performs radio and television repair work for an oblast, must perform 3.8 million rubles' worth of work. Where does this money come from? Clearly, from the pocket of our dear residents of Smolensk. For what do they pay these sums? Partly for the warranty repairs that were already discussed and partly for post-warranty repairs. As you yourself understand, the character of these expenditures cannot be compared with those that raise the population's living standard. Precisely the reverse is true: this money is taken from funds that should be used for food, clothing, and leisure or other consumer goods. For the population, these are forced but useless expenditures. To a certain degree, they lower the living standard and quality of life of all of us. Thus it turns out that we are the service that willy-nilly furthers the impoverishment of our society.

Are then these expenditures possibly profitable to the state? Let us take a look.

The association's planned profit is 500,000 a year. And only half of this amount went to the state budget and the maintenance of higher organizations. But since capital expenditures are still financed from the state budget, the withholdings are ultimately returned to us. After the

introduction of economic accountability and self-financing, we will take money for this from the same profits and there will also be no benefit to the state from this. In a word, it will not get rich from our activity. The rest of the money obtained from the population will be used partly to pay for components, spare parts, electric power, etc., and will partly be "eaten up" by our personnel.

Thus, a solid industry exists for the sole purpose of feeding itself at society's expense, of correcting the flaws of others without producing absolutely any material values whatsoever. Who will call us intelligent? Who will consider us zealous masters? We spend enormous funds on the development of the electronics, electrical equipment, automotive and other industries and at the same time we create in parallel solid capacities for redoing worthless work! After all, one-third of the television sets, refrigerators, automobiles, and washing machines produced in our country undergo warranty repair.

And we are not the only ones engaged in such Sisyphean labors. In the oblast consumer service system alone, there are several associations that number hundreds of people and that sweat to eliminate flaws. And throughout the nation?

But for the time being, repair services are needed everywhere. But they should be repair and maintenance services, not services that redo the flawed work of others. Believe me as a specialist: if a refrigerator or radio survives the warranty period, it will continue to operate reliably in the future as well. And if it has to be kept in working condition, this will not require large expenditures of money and live labor. Society can afford such expenditures. But it would of course be better if a product worked reliably until it was entirely worn out. It would be better if our work were confined to adjusting, tuning, and preventive maintenance as is the case in other countries. Nor does this require industrial giants and enormous expenditure of effort and resources. We should plan not to increase these expenditures, but to cut them as much as possible. The new law could also block these nonproductive expenditures.

I clearly realize that I am in the dubious role of a person who is sawing off the branch he is sitting on. The association's work volume in money terms for the current year was increased another 14 percent. There is one hope: that the ministries of the electronics industry, radio industry, and communications industry will provide us with the work. The poorer their work, the better it is for us. Why then should I disturb this mutually profitable parity? I think it makes sense to cut off one branch to protect the entire tree that holds all of us against disease.

## FOOD PROCESSING, DISTRIBUTION

### RSFSR Grain Products Minister on Poor Bread Quality

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[Interview with Nikolay Yakovlevich Golub, RSFSR minister for bread products, by I. Filimonov]

[Text]

[Filimonov] Nikolay Yakovlevich! During the past year or two, quite a few articles have appeared in the press about the poor—one could even say, calamitous—condition of Russia's bread baking industry. From your point of view, how objective is the depicted picture?

[Golub] Let us evaluate it together. First of all, there is the scope of our work. A little more than 16 million tons of bread a year are being baked in Russia's cities and villages today. The bread baking enterprises of the consumer cooperative system are providing approximately 5 million tons of this and the bread-baking plants of the agroindustrial committee system provide approximately another 150,000 tons. As you see, our share is the lion's one—11.8 million tons. We produce this bread in 1,622 enterprises, and more than 220,000 people are employed in them.

This, however, is—as they say—one side of the coin. Here is the other. Only 800 of the 1,622 bread combines and bread-baking plants are in excellent technical condition. These are the enterprises that were built 15-20 years ago, which have equipment that can produce a high quality product. What are the remaining enterprises like? A total of 200 of them, and they are rather large ones, should essentially close immediately—their condition does not stand up to criticism: They are located in extremely dilapidated buildings with no equipment—it is a crying shame.... The remaining 600 bread-baking plants and combines are also still operating but they are destined for serious and urgent reconstruction. The branch still has a considerable amount of manual labor and more than 100,000 people are employed in it. The percentage is especially great in auxiliary, loading and unloading, transport, and storage operations. There are still no designs for mechanizing the production of bun, biscuit and ring-shaped roll items. This does not permit their production to be increased when free production areas are available. It does not seem possible to rule out work during the night and on holidays and days off. If one considers that 70 percent of the workers in the industry are women, I think that the critical and urgent nature this problem has for us will be understandable.

[Filimonov] In a word, it is a pre-crisis situation?

[Golub] I would say this—it was a pre-crisis one. Today, however, we are beginning to get out of it. There have already been changes for the better—slowly, but the



attitude toward the problems in bread baking is changing on the spot, in the oblast and at the level of the central agencies. As you know, a government decision to strengthen the material and technical base of the republic's bread-baking industry was made in 1987, and 748 million rubles were allocated to its expansion in the 12th Five-Year Plan—this was twofold more than in the previous five-year plan. It was planned to build 105 new large bread-baking plants having modern equipment and an overall capacity of 4,079 tons of bread a day and to carry out a major reconstruction of 37 enterprises over four years in compliance with this program. Effective steps are being taken today to fulfill what has been planned.

[Filimonov] Excuse me, Nikolay Yakovlevich, but I would like to interrupt you here since—it seems to me—the discussion has begun to shift somewhat prematurely to a cheerful mood.

I will not conceal the fact that, in preparing for this meeting, we asked our own correspondents in a number of oblasts to acquaint themselves with conditions in the branch and find out how its renovation is going. I will say right out that they received inauspicious news. For example, a new and high-capacity bread-baking plant should be put into service in 1991 in Saratov. The planned construction began this year, and the volume of construction and assembly work is 4.6 million rubles; however, as they reported to our correspondent, not a single ruble has yet been assimilated on the project. The construction of high-capacity bread-baking plants in the cities of Solikamsk and Aleksandrovsk in Perm Oblast and in Perm itself within the planned time frame is threatened with a breakdown....

[Golub] I wanted to shift to this immediately when I said that we are taking effective steps. Unfortunately, we have encountered a problem which, so to speak, we can neither jump over nor bypass. It is necessary to build new bread-baking plants, but we cannot design them. The ministry has insufficient allocations for design work. The ministry also has no institutes which can execute designs at a very high level (we are talking about bread—a product of special importance!). I would say that a simply abnormal situation has been created. Previously, the appropriate institutes of the Ministry of the Food Industry engaged in designing bread-baking plants; however, they were transferred to the agroindustrial committee system two years ago. It is true that, when they were transferred, it was clearly stipulated that the agroindustrial institutes would annually perform design work totaling 2.5 million rubles. After the transfer of the bread-baking industry to our ministry, however, the agroindustrial committee reduced this amount twofold. Generally speaking, they said to us that the bread-baking plants are yours; work on them yourselves—and we worked as we could. One complains where the stem bends.... For example, over that same bread-baking plant at 45 tons a day in Aleksandrovsk. In order not to disrupt its starting-up at the designated time—this is 1991—it is

necessary to transmit all design plans and cost estimates to the builders no later than the middle of this year. The Perm people are nominally attached to the Novosibirsk institute of GosNII sibpromzernoprojekt [State Design and Scientific Research Institute for the Siberian Grain Industry]. However, this is only nominally because, first, the institute has never worked on designing bread-baking plants and, second, has collected work worth more than three million rubles without them. That is why it was necessary to turn to the services of cooperatives who are performing the design work for this plant.

However, not only allocations for designing are undermining us. It is also incredibly difficult to build. All the contract ministries have to include these projects in the plan with great difficulty. However, it must be admitted that we are still losing the battle more frequently than we are winning it. According to the Ministry for Southern Construction, for example, our requirement for allocations to build bread-baking plants and other projects that are extremely important to the branch are being satisfied by less than half. It is approximately the same situation for the ministries performing construction in northwest Russia, the Urals and Western Siberia.

I will honestly say: You struggle and you struggle and you begin to think: where is the priority for social problems?

The construction of new bread-baking plants and, consequently, the better supplying of people with bread is a problem of the first order—and we cannot find allocations in material? Apropos of this, we turned to the country's Gosplan and to our union ministry and they suggested: Let us look at everything and examine what is happening with these allocations, where you cannot actually manage without them, where you can and must press on, and from where it is possible to transfer forces to solve the primary social tasks. Unfortunately, our appeals do not always receive the necessary response.

[Filimonov] Nevertheless, you will agree that there should be a way out even in this complicated situation. Perhaps, the trouble is that you are trying to solve the problems using a conventional method? Take the designing of bread-baking plants. Of course, the performing of this work in a centralized manner and in specialized institutes is the best way. However, as you say, there is no opportunity for doing this today—does this mean it is necessary to include some other additional forces? For example, turn for help to cooperatives of designers? In all probability, these exist?

[Golub] I agree, and we are using this opportunity. In general, we are now carrying out design work worth approximately 18 million rubles a year for the branch. Cooperatives of designers have begun to assimilate three million of them—basically, just for bread-baking plants. We think that this form has extremely good prospects and we will expand it. At the same time, we are building up the amount of design and research work performed by our own design buros in Kuybyshev and Ufa.

I can say the same thing about construction. Fortunately, it is not necessary in all oblasts for us to prove to leaders that it is necessary to build new bread-baking plants and reconstruct existing ones and that it is necessary to do this, perhaps, even at the expense of some other production project. In Voronezh, Rostov and Novosibirsk oblasts, they already understand that the task will not be quickly corrected by us alone under existing conditions and they have included local industrial enterprises in this reconstruction. In particular, Rostov Oblast has attached a large industrial enterprise to each bread-baking plant and have put it into order with its help.

Several ministries are also helping—they are building a bread-baking plant using their own resources and then transferring it to us. They have done this in Gorkiy, Tyumen and Sverdlovsk oblasts and the Maritime Krai....

[Filimonov] We are talking all of the time only about the expansion of the material base, new bread-baking plants, the reconstruction of old ones, and an increase in capacities.... At the same time, you cited figures at the beginning of how much bread is being baked in the republic. Should one think that there is not enough of it for the population?

[Golub] Here are the statistics: The consumption of bread is decreasing. For comparison: In 1985, the production level for the branch's enterprises was set at 12.3 million tons; last year—11.3 million. Most likely, the change in the people's ration is having an effect. As all these statistics show, the consumption of meat, meat products and milk has increased. By the way, I will point out that the percentage of bread in the ration of Russia's inhabitants is today significantly more than medical norms recommend—131 kilograms a year instead of 115. This, however, is another subject.

[Filimonov] Incidentally, however, the statistics show something else also: The consumption of bread is decreasing but, in return, the demand for buns and rolls is growing. Here, I think that it is appropriate to shift to the question of which is encountered most frequently in letters to the editor....

[Golub] Concerning the quality of bread? We have actually traveled for a long time side by side with this subject and it is time to speak frankly. Although again... is it really what we have talked about before. Is this not a discussion of the quality of the bread?

I do not know the proportion of such letters in our newspaper, but 80 percent of all complaints concern the work of bakers—these are complaints about stale bread. Justified claims? Generally speaking, yes. I will not dispute it. I would also not want to shift the blame to anyone, although for the sake of objectivity I should rebuke the farmers for the quality of the raw material and transport workers and trade workers. However, I think that this has few prospects. It is necessary to look

at the root of the problem. It—if it can be expressed this way—is seated in that time and in that erroneous policy where we began to actively shift the bread-baking industry to an industrial track without thinking very much about the consequences. We began to build high-capacity bread-baking plants instead of thousands of bakehouses and bakeries so that one giant would feed half an oblast, an entire city, etc. The bread came in a stream, and we actually achieved the highest productivity in the world—and we produced a mass of problems! Try to deliver bread that is warm and fresh if there are, at times, more than a dozen kilometers from the bread-baking plant to the store!

Another problem is the poorness of the variety? Or: They—both the population and directing agencies—require that we increase the production of small items. However, this is simply economically unprofitable for giant bread-baking plants: The productivity of the equipment falls sharply when small items are produced and products using different recipes are made.

Life itself dictates to us a strategy with whose help one can bring the bread-baking industry to a qualitatively new level—it is necessary to return to small bakeshops, with a capacity of three-five tons a bread a day and even of a ton a day, in cities and villages and to bring the production of bread and bread products closer to the consumer again.

[Filimonov] This is only a strategy—long range plans. Is it possible now to talk about specific steps in this direction? It must be admitted that the idea itself of returning a broad network of small bakeshops into our life is far from a new one. It seems that everyone has voted for it. However, nothing is seen of this broad network. What is delaying the work?

[Golub] Trust me, we also would like to embody this idea more rapidly, but .... the same material base is delaying everything—finished sets of such miniplants are needed.

[Filimonov] In some oblasts, one has occasion to see so-called modular sets of imported equipment for stores and bakeshops. One dotes over those lucky enough to receive them. However, they complain that few of them are being issued to the oblast. In particular, the Perm people are also resentful. They promised to issue them two of these sets last year and they gave them one. They plan to receive another two this year, they report; however, information has already arrived from the ministry—don't expect them, they say, neither this year nor the next....

[Golub] Yes, we have reduced the delivery of imported sets. I think that it is not necessary to explain the reasons here. First, this requires enormous expenditures of foreign currency and we, unfortunately, are not rich in it. Second, and this is perhaps the main thing: We will hardly solve the problem of establishing a really broad network of small bakeshops if we attempt to do it by only

using deliveries from abroad. We need our own domestic sets of equipment which, of course, are not inferior to foreign analogs and which are of the most varied capacity so that one could place such a bakeshop in a remote microrayon of a city with thousands of people or in a small worker settlement where, for example, only several families live.

Apropos of this, we think that it would be easier to solve personnel problems with the introduction of these small bakeshops everywhere. People do not come eagerly to us today and we have a high personnel turnover—21 percent. People, although they rebuke bakers for poor work, at the same time see, read or hear under what conditions and with what sweat bread is provided. Will those wishing, for example, to lease as a family find a small, modern and well equipped bakeshop in the same city microrayon or in a small worker settlement? I will say frankly that we are only beginning the work of introducing leases.

This year, we will begin to receive such equipment from our domestic suppliers. Six reliable ministries have been included in the manufacturing of bakeshop sets. Before the end of the year, we will have 127 sets, each with a capacity to produce 2.5-5 tons of bread a day.

[Filimonov] All told?! But how many does the branch need?

[Golub] We could take 500 at once if you like. We have a mass of orders. We are prepared to take a thousand annually. You see, there is also the consumer cooperative system, and there are thousands of places in village where such bakeshops are also needed. However, the prospects here are as follows: They promise that industry will produce 300 sets beginning next year. Of course, this is not an abundance, but nevertheless....

Returning to the subject of imported equipment, I should point out that directors in the local areas, who are full of initiative, have found opportunities for acquiring it despite our foreign currency difficulties. In Gorkiy, Sverdlovsk, Tyumen, Chelyabinsk, yes, and even in that same Perm, the bakers are beginning to cooperate with large industrial enterprises having access to the world market. They are making the following arrangements: We will open a bakeshop for the workers in your enterprise; you will purchase equipment for this work. Of course, we only welcome such an approach full of initiative.

[Filimonov] This means—if we are to sum up what has been said about the difficulties in reorienting and re-equipping the bread-baking industry—that stale loaves of bread and long loaves will be a sad reality for our bakeshops for a long time to come?

[Golub] I would not want this discussion to leave the impression that we are only complaining about difficulties and waiting for a kind uncle who will do this for us

and will give it to us, and then begin to show what we are capable of. We ourselves are now doing quite a bit in order to change the situation for the better. Last year, we opened 850 stores at bread-baking plants—stores where they sell hot bread. Chambers or premises, in which it is possible to maintain the freshness of newly baked bread for a protracted period until it is sent to the stores, have appeared in practically all of our bread-baking enterprises.

The republic's demand for bakery items is now basically being satisfied; the production of ring-shaped bread, biscuit, pastry, and macaroni items is increasing annually. The task of organizing the production of pastry items in each bread-baking plant and the production of ring-shaped bread and biscuit items to completely satisfy the population's requirements next year, has been assigned to the bread-baking enterprises.

Nevertheless, I want to point out again that it is possible to fundamentally solve the problem of supplying the people with a wide variety of bread products that are fresh and tasty only by advancing on it on all fronts—as they say, from every corner of the globe. In this regard, I do not conceal the fact that we are perceiving with great satisfaction how the just completed party Central Committee Plenum, which examined the question of the country's agrarian policy, expressed itself concretely and clearly regarding the overall help of the processing industry. We have not only a critical requirement but also reserves for the final transformation of a branch that is very important and the primary one for all of us.

#### **Concern Over Lack of Food Products for Infants** *18270075 Moscow TRUD in Russian 23 Mar 89 p 2*

[Article by O. Parfenova, TRUD special correspondent: "Masha Ate Her Kasha...Who Will Answer for Interruptions in the Supply of Food Products for Young Children"]

[Text] At the existing rate of production, RSFSR industry will attain the planned production volume targets for liquid and pasty milk products by the year 2000, but will not reach the targets for the production of canned fruits and vegetables for children until the second half of the next century, i. e., at the very time that the infants of today will be coming of retirement age. (Data of RSFSR Goskomstat [State Committee for Statistics]).

"Our settlement has many infants who require artificial feeding, but the stores do not carry baby food mixtures. In those rare instances when they are put on sale, they frequently do not reach those for whom they are intended. We believe that the mixtures should be sold only on the basis of prescriptions from children's polyclinics. They say that it is possible to buy Malysh and Detolakt from private sources, but the speculators charge exorbitant prices—8-10 rubles a package." (From a letter from mothers of large families in the settlement of Yakshang, Pokazyrevskiy Rayon, Kostroma Oblast).

**In its production of canned meat products for children, our industry used meat containing the salts of heavy metals, nitrites, and nitrates 2-2.5 times higher than the norm. (From a bulletin issued by the USSR Ministry of Health.**

How many articles have already been written on this topic? What prompted the writing of one more? The simple and natural desire to look the official, who to all appearances is to blame for the fact that hungry, squalling infants do not sleep at night, in the face. Together with N. Zakharova, a representative of the Soviet Women's Committee, we tried to find the people who were actually responsible for the production of special food for children. For a start, we decided to make the rounds of three organizations: USSR Gosagroprom, which produces children's food products; the USSR Ministry of Trade, which distributes the finished product; and the Ministry of Health, which determines infants' need for it and is in a certain way responsible for their health. We search and inquire at Gosagroprom:

"With whom can we talk about baby food?"

"What kind of food?" came the voice from the other end of the line.

"Baby food," we naively replied.

"Specifically what interests you?" asked the now irritated voice. "Canned meat food products, milk mixtures—dry or liquid?"

"Everything," we said in stubborn desperation.

"Each of our departments has its own work!"

"Who receives all the information on children's nutrition?" we resorted to a clever stratagem, but were disgraced by the counter-question:

"Why do you want to know?"

It is known that the requirement for special food products is not satisfied in terms of volume, quality, and mix. I do not deem it necessary to explain what this means. The country numbers two million infants who have been "artificially fed" since birth. From the age of 4 months, 65 percent of the children require additional nutrition [at the time of weaning]. The result of the lack of special food for sick children is well known even at USSR Gosagroprom, which is supposed to produce it in sufficient quantity. It had once received a telephone call from the USSR Ministry of Health: despairing parents were urgently demanding two packages of a mixture with a low lactic acid content. After a long search, one package was found in a cupboard containing samples. As a result, it was possible to save one infant.

Does this mean that no one is responsible for this?

At the Ministry of Trade, to be sure, unlike Gosagroprom, we found a person who was "responsible for problems of children's nutrition." He was A. Konobov, the deputy chief of a main administration of food products trade. Information did not trickle down to him either. Representatives of various departments assembled in his office on the appointed day. The responsible one was absent at the time. Perhaps he did not want to clutter his already active mind with superfluous information. He returned toward the end of the talk and in an imperious tone ordered that the proofs of the future article be brought to him. Otherwise—he posed the ultimatum—TRUD would be given no information whatsoever in the future.

Here we only succeeded in learning that not enough special food products for children were reaching trade and that the Ministry of Trade and Ministry of Health had issued a joint order regulating their sale so that the at least the small quantities that were available would reach those for whom they were intended. The ministry does not know how the order is carried out at the local level because accountability has been abolished and it does not concern itself with dictates any longer. The people at the Ministry of Trade say: let the Ministry of Health sell therapeutic food products for children through their pharmacies.

"They say that we should sell food products for children through the pharmacies!" said L. Grachev, deputy chief, Department of Therapeutic and Prophylactic Aid to Children, Ministry of Health. "We don't even have enough warehouse space for medications. There is only one solution: Gosagroprom must fill our orders completely. Then there will be no problem with the distribution of food products."

We visited Gosagroprom, gathering scraps of information five or six offices. We found that foods that were vitally important to children had been on the critically scarce list for almost 15 years—almost since the time when our industry undertook their production. In past years, there were several government decrees that tried to remedy the situation. The last decree was issued in 1987. Of course, it is still too early to speak about its results: its targets are calculated up to the year 1995, but even now there is reason for concern.

Judge for yourselves. It is presently planned to raise the production of dry adapted milk products to 80,000 tons a year (the current production level is about 50,000 tons); liquid and pasty foods—to 345,000 tons (current level: 59,000 tons); canned meat—to 135 million standard cans; and canned fruits and vegetables—to 1.4 billion cans (current level: 27 and 600 million, respectively). The different, as you see, is substantial. But there is another alarming problem that no one knows how to solve. Everyone, however, knows about the insurmountable barriers that stand on the road to this goal. Especially in Gosagroprom.



I. Sokolov, chief specialist, whole-milk and children's food products sector, states that new equipment is needed to produce the required quantity of milk products in liquid and paste form. But Soviet machine builders have been working on a prototype since 1974 and it is hard to say how much more time it will take them.

D. Atanasyan, senior specialist in the department for the production and processing of livestock products, cites the construction of two specialized plants (that use imported equipment exclusively) and the purchase of spare parts abroad as the principal condition to the attainment of plan targets.

V. Popov, chief, "Soyuzkonservmoloko" VPO [all-union production association], hopes that if the Ministry of Defense becomes involved in the effort, it will make the equipment along Italian lines. But here, too, it is impossible to get by without foreign currency: coconut oil, vitamins, and other components have to be purchased abroad.

N. Vdovina, head specialist in a subdepartment for the production of canned goods and potato products reported that vegetable and fruit canners are faced with numerous problems. According to preliminary negotiations with Western firms, it will be possible to get things moving if we can purchase 170 million foreign currency rubles' worth of equipment.

From numerous talks and meetings, one gets the impression that even a single department, like a big *matreshka* [wooden doll in peasant dress with successively smaller dolls fitted into it], contains smaller departments, and that they in turn contain very tiny departments. Neither territorial proximity nor even the same significance and goals will compel them to surmount the intradepartmental barrier. Everyone you talk with has his own little piece of the "state secret." But who will alter the state of affairs and in what way if no one possesses all the information?

Of course it can be assumed that the information is collected somewhere up "topside" where the person responsible for the entire branch sits, but I fear that children's food products will not be the first thing he is asked about. After all, this is only five percent of Gosagroprom's total output—a tiny drop in a sea of troubles. Nor can (or does) anyone make demands on the chief, the senior specialists that one meets. They are the 'little people.' But excuse me, they are members of the branch headquarters staff who receive their pay not only for knowing the reasons but also for influencing the decision-making process. And if they cannot cope with this assignment, then what are they doing here? Are they there merely for the sake of bearing witness to an ever-worsening situation?

Incidentally, the question of dismantling Gosagroprom is being decided even now and there is quite a stir surrounding the reductions in the Ministry of Trade. A specialist in the mechanization department said: "It is possible that you will call on the telephone a week from now and I will no longer be here." In other words, why should I be thinking about how to increase production by 1995 if I have no idea where I will be tomorrow?

Oh these clever departmental structures and endless organizations and reorganizations! It almost looks as if they are specially conceived so that no one would bear personal responsibility for them.

"What do you want?" reproachfully asked one of the people I talked with at Gosagroprom. "Do you want to have someone who have someone responsible for each individual question? At the same time that we are beginning to reduce the size of the apparatus, are you calling for its expansion?"

This is the voice of militant demagoguery that defends the principle of personal irresponsibility, that does not want to take the trouble to look for variants.

"Soyuzkonservmoloko" is requesting 70 million foreign currency rubles for the purchase of equipment; the meat canners need about 36 million for two plants; and the fruit and vegetable canners are insisting on Italian equipment. The Ministry of Trade buys 12-14 million rubles' worth of children's food products abroad every year. It would perhaps be simpler not to produce these products in our country at all, but to buy these quality, tasty, varied products from the same Finns? Who has calculated which is more profitable? And if our foreign currency situation is tight, to put it mildly, we should make haste to create joint enterprises with foreign firms.

But why are Gosagroprom, the Ministry of Health, to whom the children's health should be a sacred goal, and a score of other departments mentioned in the decree of the USSR Council of Ministers, not making haste to carry out assignments connected with the production of children's food? Because none of their leaders will be punished for failing to do so. Such "collective responsibility" entirely allows that children may go hungry and generates collective irresponsibility. In general, we were not able to look the guilty reproachfully in the face. No one. There are no guilty.

The other day, the editors received one more letter—from Kaluga. The 27 female signatories were indignant because there was no baby food in the city's stores. Where should their complaint be forwarded so that measures can be taken? To Gosagroprom, to the Ministry of Trade, to Ministry of Health? Or to tiny Finland which does an excellent job of feeding small children without the participation of a score of ministries?

## GOODS PRODUCTION, DISTRIBUTION

### Better Planning Predicted for Wholesale Trade Fair

18270074 Moscow SOVETSKAYA TORGOVLYA in Russian 14 Mar 89 p 1

[Article by N. Matveyeva: "Barter Instead of Purchases?"]

[Text] A trade fair for the sale of surplus products opened interpublic wholesale trade fairs for the sale of goods in 1990. It was held at the Luzhniki Sports Palace in Moscow from the 4th to the 7th of March. More than 2000 representatives of trade and cooperatives took part in it.

The current Interpublic Wholesale Trade Fair for the Sale of Surplus Products would have been more aptly called a barter session. The surpluses of trade and industry enterprises that amounted to tens of millions of rubles in bygone years no longer exist. A year or two ago, before they were habituated to the present commodity hunger, some buyers were indignant: why do they not want to simply sell me a product just like that? Why must I necessarily give something in exchange? Today every merchant preparing to sell his "surpluses" at the trade fair invariably puts something aside to exchange. It is obviously impossible to make an unequivocal evaluation of "good" or "bad" here. It is bad that there are few goods on the market. It is good that we have finally begun recognizing that market and that our merchants are learning how to think, count, and maneuver the commodity mass.

This is what concerns the general nature of the trade fair. There are also individual features that dramatically distinguish the present *torg* from its predecessors. First, the almost total absence of industry. While in the past, the textile, sewn goods, and footwear industries, and manufacturers of cultural and household goods vied with other in offering their goods (and in what quantities!), today their stalls are occupied by cooperatives.

The abundance of cooperative goods is the second distinguishing feature of the present trade fair. To be sure, one becomes almost immediately aware that knitted or sewn goods manufactured in the Baltic republics differ but little from those produced in Central Asia, that the features they share in common are, as a rule, their inferior quality and rather high prices. But there are also differences: some cooperatives demand payment in advance for the entire lot. There is apprehension about this because cooperatives frequently "disintegrate" after receiving the customer's money and there is no one to file a claim against. Other, more reputable [enterprises] agree to make deliveries according to schedule and to collect after the goods have been sold.

"I just made a good deal," states Sh. G. Sarkisyan, senior commodity expert, Yakutalmaz Workers Supply Administration. "One Minsk cooperative purchased 160,000

rubles' worth of 'Alaska' jackets. The contract reads: if the jackets are not sold within six months, I am entitled to discount them at the supplier's expense. Just like the best houses!"

### Schedule of International Consumer Goods Wholesale Trade Fairs to Be Held in Moscow in 1990

| 1                                 | 2           | 3  | 4  |
|-----------------------------------|-------------|----|--|
| Surplus goods                     | 04.03-07.03 | 4  | Luzhniki Sports Palace                     |
| Footwear                          | 10.03-16.03 | 7  | Luzhniki Sports Palace                     |
| Cultural and general goods        | 22.03-02.04 | 12 | Luzhniki Sports Palace, Small sports arena |
| Household goods                   | 06.04-17.04 | 12 | Luzhniki Sports Palace, Small sports arena |
| Lumber and construction materials | 20.04-29.04 | 10 | Luzhniki, Small sports arena               |
| Textile goods                     | 08.05-26.05 | 19 | LFK TsSKA (both arenas)                    |
| Haberdashery-perfumery            | 29.05-09.06 | 12 | LFK TsSKA (both arenas)                    |
| Food industry commodities         | 12.06-21.06 | 10 | LFK TsSKA (soccer arena)                   |
| Jewelry                           | 12.06-21.06 | 10 | LFK TsSKA (Track and field arena)          |
| Clothing                          | 26.06-08.07 | 13 | LFK TsSKA (both arenas)                    |
| Surplus goods                     | 11.07-15.07 | 4  | LFK TsSKA (Track and field arena)          |

1. name of trade fair; 2. when held; 3. number of days; 4. where held

The state trade intermediary offices also now have their rivals: middleman cooperatives. One of them—the Riga "Torgservis" represents the products of more than 50 cooperatives operating not only in the capital of Latvia but also in Estonia, Lithuania, and Leningrad.

"Why should the cooperative itself market its product?" asks Eriks Grinberg of "Torgservis." "Let it work and let us sell its product. We can also suggest what is most in demand today."

A merchant from Riga is satisfied with the trade fair. There are many customers. Their product sells especially well in the Urals and in Siberia. He personally launches the discussion about quality and price.

"Our cooperatives do not always have enough good equipment and raw materials. The quality is also correspondingly low. But our 'Balta-Terivo' firm is already beginning joint production with Poles and Italians. This will mean a new mix and higher quality. As regards

prices...They are dictated by the market. Take men's shorts, for example. They are not selling well for two rubles plus kopecks. But according to our forecasts, they will soon be in very short supply and then we will sell them for a higher price. But of course we will reduce the prices on surplus goods. The market will force us to do so.

"The market forces us to relate entirely differently to the customer than is customary in state industry," Eriks continues. "We respect the customer. We will pay the travel expenses of anyone ready to make a deal for a thousand rubles or more so that they can come to Riga and make their own personal selections."

Respect for the customer. This is a deficient area for our state sector which still relegates the customer to last place. Here is an example (unfortunately by no means the only one).

The Mogilev department store and the local base of "Torgodezhda" offer quite a broad product mix. The mix also includes outer garments that are in especially short supply under present conditions. But there is also a secret, stern order issued by local authorities: only in exchange! Men's and women's overcoats have become a glut on the market in Mogilev: the winters became warmer and demand dropped off. Siberians are eager to buy them but they have nothing to offer in exchange. And the overcoats remain unsold.

One knowledgeable person said: if people are queued up before the middleman, this means that he is dictating his terms to seller and customer. And there are queues before representatives of Georgian, Azerbaijan, Uzbek, and Kazakh intermediate trade organizations.

But is a middleman entitled to interfere in the affairs of sellers and customers? He has no such right. This is a fact that was confirmed by a special order of the USSR Ministry of Trade and Law on the State Enterprise. But this fact notwithstanding, many lists of goods offered for sale are headed by the words: "I approve..." As if the director of a department store or *torg* cannot imagine how best to dispose of his product without this.

Purchases, sales, and exchange—all actions in the market—are necessary mobile corrections to the commodity supply system. According to preliminary estimates, "purchases" will total more than 200 million rubles.

#### **Trade Official on Ways To Reduce Goods Shortages**

18270089 Moscow KOMMERCHESKIY VESTNIK in Russian No 5, Mar 89 pp 2-5

[Article by A. Chepik, USSR deputy minister of Trade: "Priority—to the Consumer"]

[Text] The resolutions of the 19th CPSU All-Union Conference set the tasks of accelerating the saturation of the market with various goods. It is proposed that work

everywhere be developed to increase the output volumes and improve the quality and assortment of goods, so that by the end of the 12th Five-Year Plan, the supply to the population of various items for mass consumption will be normalized. In connection with this, problems of promptly concluding and fulfilling contracts for the supply of goods goes beyond the framework of economic problems and takes on social-political significance.

The enterprises of the machine building, equipment and wood-chemical complexes should play a large role in considerably increasing the supply of non-food commodities, particularly complex technical ones. The proportion of them in 1988 was quite a large part of the output of items necessary to the market—almost 54 billion rubles worth. In 1989 this figure, as is planned, will increase to 57.8 billion rubles.

The government has repeatedly noted that a number of ministries and departments underestimate the importance of promptly concluding contracts under the new conditions of economic operation and has given strict warning to the directors, proposing that the necessary measures be urgently taken for prompt completion of this important work. In 1988, however, trade could not even sign 4 billion rubles worth of contracts. Of them: almost 2 billion rubles went to the abovementioned industrial complexes. Subdivisions of the Ministry of Automotive and Agricultural Machine Building, the Ministry of the Timber Industry, the Ministry of the Petroleum Refining and Petrochemical Industry, the Ministry of the Radio Industry and the Ministry of the Shipbuilding Industry remained in debt to trade, and consequently, to the consumers. It should be noted that all the short supplies to the market include goods that are on the products list of the State order of these ministries.

Unfortunately, the transition to the new conditions of economic operation, putting into force the USSR Law on the State Enterprise and approval of the New Resolution on Commodity Supply give trade no guarantee that it will emerge at the volumes of commodity sale that are laid down by USSR Gosplan to ensure commodity turnover. The point is that neither at the stage of coordinating the plans for output nor in concluding the contracts to supply the goods do the production workers provide for the demand. This is part of the cost of the Law on the State Enterprise. As soon as it was adopted, a negative trend began to be seen: the manufacturers form less intensive plans, calculating, subsequently, to utilize the right granted by Article 16 of this Law—precisely, the possibility of selling aboveplan output at their own discretion. Such actions often are encouraged by the local organs, since the above-plan goods as a rule remain where they were produced. In these cases the enterprises themselves obtain much greater benefits for distribution of above-plan profit.

Many enterprises divide up the plans unequally, postponing all the heavy work of fulfilling them to the last few months of the year. For example, in the 11th month



of 1988, the machine building complex had supplied only 84.2 percent of the state order to deliver non-food consumer goods. After all, 91 percent of the year's work time falls to this period.

Many plants and factories, in pursuit of profit, simplify the assortment and reduce the output volumes of items needed by the population. They replace inexpensive goods with more expensive ones, artificially overstating the contractual prices. For example, as compared with 1987, the output of mini-alarm clocks costing 12 rubles was reduced by almost a factor of four. Instead, expensive wrist-watches were offered for sale. In the meantime, the alarm clocks are in great demand by the population, but in 1989, only 1 million of them went on sale. Again there is a shortage!

A Podolsk plant, without the consent of trade, decided to discontinue the supply of sewing machines of class 142 (in a case), priced to sell to the population at 182 rubles, having increased the output of more expensive ones in a cabinet, costing from 220 to 340 rubles. Last year our permanent suppliers cut the output of Sokol radios, ranging in price from 30 to 60 rubles, more than in half. They were motivated by the fact that they want to convert completely to output of Temp television sets. Just who is going to make almost 500,000 radio units now?

In diverging from supplying commodities in the necessary volumes, the enterprises often allude to the decisions of the work collectives that it is impossible to fulfill the State order in the established amounts, and propose the output of a limited assortment.

Sometimes these decisions of the enterprise collectives are supported, unfortunately, by the Gosarbitrazh [State Arbitration] organs. Last April Gosarbitrazh of Leningrad supported a 290,000 piece reduction in the market supply volume of electric vacuum cleaners. The motive for the decision was a lack of production capacities and raw material resources, as well as the supplier not agreeing with the plan for supply. In August 1988, Gosarbitrazh of Transcarpathian Oblast decided to reduce the market supply volume of washing machines. Analogous decisions were also made in examining pre-contract arguments on the supply of other commodities. It was necessary to appeal to N. Malshakov, USSR chief arbitrator, with a request to change the incorrect decisions. Trade obtained support, because it protects the buyer's interests.

Many ministry workers feel that the Law on the State Enterprise makes it impossible to interfere in the matter of subdepartmental subdivisions. This is incorrect both in form and in content. State orders are fully arranged at their enterprises, they are provided with raw material and materials in priority order and it is the sacred obligation of the ministries to achieve fulfillment of the plans.

It seems appropriate to note that in some cases the legal and economic levers of the influence of trade on the suppliers are not always actuated. Sanctions for short supply of commodities are now exacted only once a year, in the amount of 4 percent. This makes it possible for suppliers to select any recipient of the goods, including some with whom he has not concluded a contract. The suppliers do not even suffer a loss in such cases. After all, they can unload the goods at higher contractual prices to a profitable recipient and not supply them to their partner in the contract—the trade organization—which imposes strict requirements. This is especially so since the one-time fine for failure to supply goods to the party in many cases is less than the costs of shipping to the contractual partner. This is particularly noticeable in the supply of inexpensive but extremely necessary commodities in the regions of the Far North. Also contributing to this situation is the fact that the responsibility for uncontracted supply of goods is removed from the suppliers.

Many wonder where the goods have gone. As we know, in 1985 a Decree on Combating Drunkenness and Alcoholism was passed. In accordance with the measures outlined, trade reduced the sale of alcoholic beverages by almost 40 billion rubles. The demand for non-food commodities, which had formerly been in short supply, rose, and the level of reserves at wholesale and retail organizations was sharply reduced. In 1986-1987 alone, the amount of reserves fell by 14 billion rubles. In 1988 the warehouses continued to be empty. Industry proved to be unprepared for the considerable increase in the output volumes of goods in short supply on the market. It might be added that in this period there was a sharp, almost 10 billion ruble drop in supplies from foreign, particularly capitalist, countries. A minimum of 25 billion rubles worth of industrial goods was not enough to satisfy the demand.

Tens of thousands of washing machines and sewing machines, electric vacuum cleaners and refrigerators, magnetic recorders and radio devices, television sets and motorcycles, bicycles and mopeds were undersupplied during these years by enterprises of the Ministry of the Electrical Equipment Industry, the Ministry of Machine Building, the Ministry of the Radio Industry, the Ministry of the Shipbuilding Industry, the Ministry of the Aviation Industry, the Ministry of the Communications Equipment Industry, the Ministry of the Defense Industry and the Ministry of Automotive and Agricultural Machine Building.

Last year alone, industrial enterprises of the defense sectors of industry short-supplied 500,000 television sets, 260,000 refrigerators, 340,000 washing machines, 350,000 sewing machines and 480,000 electric vacuum cleaners, as against the established assignments. In addition, the sale of refrigerators in 1988 rose by 12 percent, and the market stocks for 1989, as compared with the preceding year, were reduced by 4 percent. The sale of washing machines increased by 11 percent, and the



market stocks in 1989—by only 2 percent, of electric vacuum cleaners—respectively by 11 and 1 percent, and of television sets—by 14 and 1 percent.

It must be said directly, that many industrial ministries are not taking efficient measures to organize contract work, and have practically no control over the course of concluding contracts. Their subdepartmental enterprises are destroying the economic ties that have formed and are encroaching upon the interests of the market.

How do things stand with concluding contracts for 1989? At the July (1988) CPSU Central Committee Plenum, and then in the USSR Council of Ministers, it was decided to increase the production of non-food commodities in 1989 by 9 billion rubles: by 2.3 billion rubles in the light industry and by 6.7 billion rubles for commodities for cultural-everyday purposes. At the same time, in all seriousness it was noted that commodities should be put into trade, so that the population would feel the increase. The government decree on increasing production and accelerating the market's saturation with goods was worked out with the participation of the ministries and departments, the enterprises of which should produce consumer goods needed by the population.

USSR Gosplan has incorporated in its calculations the outlined increase in the output of goods, but trade up to the end of last year could in no way find their manufacturers.

Judge for yourself. In the last ten days of last year the trade organizations could not conclude contracts for the supply, not only of those commodities, the output volumes of which had been determined by decree, but of those earlier planned for 1989—a total of 12 billion rubles. Of course, this brought down the rhythm of supplies for the new year. Most of all, the refusals to conclude contracts came from the manufacturers producing goods for cultural-everyday purposes and household use (9 billion rubles worth). Of them, 7 billion rubles falls to three complexes—machine building, defense and wood-chemical. What can be said about the enterprises, if even the machine building ministries shorted the subdepartmental enterprises 2 billion rubles worth of commodity output.

As we can see, the fight to obtain the commodities that are necessary and, the main thing, approved by the plans for the five-year plan and determined by the Decree of the USSR Council of Ministers, is on two levels: the industrial ministries are refusing to accept in full measure Gosplan's control or estimated figures, and the enterprises, in turn, are not accepting the figures of the ministries.

It would appear expedient to introduce a temporary measure: Gosplan's control or estimated figures for the supply of goods to the market should be a State order and obligatory for execution both at the level of the ministries and at the level of the enterprises.

In 1989 the volumes of supplies of household equipment assigned for the market hardly rose as compared with last year. From a number of standpoints they even dropped. Here again, a number of ministries refused to arrange production of a large quantity of refrigerators, vacuum cleaners and washing and sewing machines.

It must be openly acknowledged that in this situation it is very difficult to provide trade with the necessary goods and satisfy the demand of the buyers. The interrelations of trade and industry should be implemented within the framework of a business partnership. This gives rise to the need to legalize the priority of rights of the consumer, and to issue the appropriate normative documents. Today the fundamental principles of the USSR Law on the State Enterprise, which were directed toward protecting the priority of the consumer and promptly satisfying his demands, are not being fulfilled in practice, since they are not supported by the appropriate economic and legal norms.

Under the conditions of the shortage of many consumer goods, the dictate of the manufacturing enterprises appears. In using the economic independence granted by the Law—the right to conclude contracts for free sale of goods and, mainly, the absence of competition for the manufacturers—the industrial enterprises very often dictate their conditions to the trade organizations. After all, it is written in the Law on the State Enterprise (p 1, art. 1) that full and prompt satisfaction of consumer demand is the highest meaning and norm for the activity of each labor collective. This high principle is not yet being actuated because the trade organizations have no possibility of choosing the manufacturer-supplier. After all, even the enterprises of the ministries that issue the State order are not fulfilling the assignments. Many ministries do poor work with the labor collectives in preparing and concluding contracts for the year being planned and on arranging the planned volumes of commodity output.

The reason for the mechanism of interaction between the consumers and the producers not being actuated should be investigated. Perhaps we should examine the refusals to conclude contracts to supply necessary goods for sale to the population for each enterprise or association individually? It would be better to do this beforehand, before the start of the contract work for the year being planned, and not to face trade with the fact when the wholesale trade fairs come along. It must be discussed specifically, with each labor collective of an industrial enterprise, how the assignments to produce consumer goods are provided with material-technical resources and required that they are allotted for these purposes in first order of priority.

Considering the numerous refusals of the industrial enterprises to produce and supply to trade commodities that are extremely necessary to the population, we asked

USSR Gosarbitrazh to give instructions to the subdepartmental organs at the sites so that they would examine the arguments more strictly. It would not be a bad idea for the organs of justice to develop active work and, along with industry and trade, to bring about a higher level of contractual work at the sites and to organize everywhere legal instruction for the economic personnel, aimed at putting in order the interrelations between trade and industry. At the same time, the normal interrelations between the producers and the consumers should be constructed so that the interests of the buyers are adhered to first of all.

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**Opinion Poll Results Concerning Goods Deficit**  
*18270069 Moscow NEDELYA in Russian*  
*No 1, 1-8 Jan 89 p 6*

[Article by Grigoriy Pashkov, Mneniye coordinator of services: "With a New Deficit?"]

[Text] During a public opinion survey that was conducted by the SOBESEDNIK youth weekly, we recently managed to discover a new variety of SPID. Our own domestic one and not an imported one. It is called the Syndrome of Complete Immunity to a Deficit [SPID].

Ours, of course, has evident differences from the foreign one. For example, the "risk groups" are quite different. It primarily strikes those who should struggle against a deficit. Any office, where they are responsible for production or distribution, is completely immune to a deficit. No one in the pharmaceutical administration has died because the necessary medicine was not administered in a timely fashion. Not a single employee in a main administration has gone to work unshaven because there were no razor blades in the stores. And so on.

But then, it turns out to be much worse for those who do not have an immunity or a deficit. We, the purchasers and consumers, are feverish from this virus and shake with indignation. We shiver in lines and are feverish from the crush in stores. Our bags have a sharp weight loss, and our purses—also. Apathy threatens us—even a healthy running from one store to another with its obstacles does not help.

... However, there are enough gloomy jokes with a medical tinge. It is time to investigate a cure.

**The Best Medicine**

I think that the most effective remedy is glasnost.

The disillusioned reader, who still hopes for some amazing and outlandish medicine for all illnesses will immediately say: "Again, glasnost."

Indeed, glasnost from the highest rostrum—and also glasnost in the newspapers. But what happens at the counter—a complete lack of glasnost and even silence.

Of course, we are indignant. We even write in the complaint book or to the newspaper. Millions of letters a year rain down upon the editorial boards of central newspapers and on higher party and state agencies.

Can one seriously delve into this avalanche?

It is possible if one combines efforts and makes this avalanche of information more suitable for processing and evaluating.

Let there exist an All-Union Complaint Book. However, it should be constructed so that our personal claims and resentments are not lost in it as if in a bottomless pit. On the contrary—it should be organized so that the main thing and the most dangerous and intolerable thing is illuminated and focused in it. And so that it would be impossible to rip a page out of it and shelve it—until better times.

How can this be done? I will try to indicate how using the example of this very public opinion survey during which we managed to reveal the carriers of the Syndrome of Complete Immunity to a Deficit.

The September issue of the SOBESEDNIK weekly published a strictly sociological questionnaire on the subject of "lines." The readers were able to give their evaluation of lines and possible ways to eliminate them. A total of 7,283 completed questionnaires were returned to the editorial board. This is quite a few—American public opinion survey services of the Gallup and Harris institute type provide reliable estimates of public opinion by questioning 500-1000 people.

An analysis of the mass of questionnaires, which was performed under the direction of V. O. Rukavishnikov, a sociologist, doctor of philosophical sciences and lead scientific associate in the USSR Academy of Sciences Sociology Institute, permitted the conclusion to be drawn that all of the country's economic regions and republics and all adult and professional population groups were rather completely represented in the questionnaires that the readers filled out. Using classic sociology (the questioning of control groups and regional surveying), we managed to determine that the revealed parameters describe public opinion on urgent problems in the line-deficit-possible measures circle.

Here are some of the results of this survey.

**Optimists and Pessimists**

Lines in stores and at railroad and Aeroflot ticket windows caused the greatest dissatisfaction. Lines in the service area are accepted more calmly. A reduction in the lines at leisure establishments, on urban transport, in post offices and in savings banks was noted (but only in certain regions!). The question is appropriate: Why have these lines not been reduced in other regions and why are they growing here and there?

Detailed data on the results of this survey, which exposed really complicated problems, were sent to the USSR Ministry of Trade, Ministry of Civil Aviation and Ministry of Railways.

Why, for example did especially bad appraisals of lines in trade arrive from Penza, Novosibirsk, and Kirov Oblasts? You see, more optimistic appraisals of these lines were given in Georgia, Turkmeniya and the north-west RSFSR.

And why do the lines at railroad and Aeroflot ticket windows cause strong dissatisfaction in the Caucasus and eastern Siberia at a time when the evaluations in Lithuania and the RSFSR central oblasts are almost satisfactory?

Incidentally, we managed to reveal a public forecast for this sore question: When will we manage to eliminate lines and the shortage? All told, only 23 people out of the 7,000 participants in the survey were "super-optimists" who mentioned a period of one-two years. Thirty-three percent of the survey participants gave a categorically gloomy forecast of "Never" and "We will not live that long." The remaining think that we will either eliminate lines in the next four-nine years (one out of five respondents) or that this will not occur very soon (two out of five).

Here is the distribution of opinions about how it is necessary to combat lines:

Raise prices for the deficit? For—four percent  
Against—84 percent.

Distribute to enterprises? For—36. Against—46.

Introduce coupons? For—29. Against—54.

Expand imports? For—79. Against—11.

Expand cooperatives? For—39. Against—38.

Especially for those who think as before that our public opinion has not matured to the point of evaluating complex economic questions and that these questions can only be entrusted to specialists and politicians—I will cite the following figure for them: 88 percent of those answering the questionnaire pointed out that the reasons for lines and the shortage of goods lie not in the distribution area but in the production and production management areas.

The wisdom of public opinion in this matter causes more trust than the domineering assurances that we will build another hundred or so stores—and the lines will blow away like the wind.

The answers to the question: "What does a shortage mean to you?" brought the most difficulties to the sociologists. Here are only some of the results of the analysis:

—"Everything"—22 percent of the survey participants answered this way;

—16 percent of the respondents to the questionnaire pointed out the shortage of daily food products;

—four percent singled out the shortage of delicatessen food products (caviar, smoked foods, confectionery items, and coffee);

—many pointed out the "shortage" of quality items. The concept of "quality" and "imported" coincide for 3.1 percent of the respondents;

—5.5 percent fixed on the shortage of inexpensive childrens items—this concerned only mothers who have more than one child;

—0.97 percent of the respondents singled out vodka, beer and other alcoholic beverages among the primary shortages;

—when singling out specific goods and services, the readers listed from 2 to 78 items. Footwear, books and cosmetics were most frequently in "short supply."

Those, who pay attention to the shortage of goods with which buyers did not have problems at all before, expressed a great concern that was directly connected with the concern for the fate of restructuring. This "new deficit" is causing the most anxiety, makes the unstable and unsaturated internal market feverish for other reasons also, and gives birth to speculation and other abuses.

It is necessary to state that the departments responsible for the production and distribution of goods have not developed an "early detection system" and a "rapid reaction system."

However, stating this is not enough. Will they not try to help?

#### The Mneniye Service

That is why the Mneniye [Opinion] Public Service, which was formed from sociologists and journalists during the work on the "line" survey, suggested to NEDELYA readers a coupon to be cut out: "Attention! a new deficit?" (Cf. p 3).

The purpose of this questionnaire signal is to reveal a "new deficit" before it manages to embrace a large territory and get out of control or require millions of assets to stabilize the situation.

Will this early warning system of the origin of a "new deficit" work? This will depend on NEDELYA readers. We think that it will work with three "ifs":

- if you do not forget to cut out the "warning coupon,"
- if you report the threat of an origination of a new deficit in a timely fashion,
- if the Society of NEDELYA Consumers together with the Ministry of Trade and other interested organizations manages to organize a "rapid reaction system"....

What is the Mneniye Service suggesting be determined with the help of the "All-Union Complaint Book?" First, a more exact definition of what deficit (by groups of goods and services, by regions of the country, by age, and by personal interests) is intolerable for us and requires the adoption of very urgent measures. Second, the determination using our own common efforts of what our requirements for the scarcest goods and services are and what methods are suitable for us to eliminate this deficit?

Are there other suggestions?

#### **Deputy Trade Minister on Decline in Production Growth**

18270059 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 1, Jan 89 p 10

[Article by P. Kondrashov, first deputy ministry of trade of the USSR: "Consumer Market: Supply and Demand"]

[Text] What has happened in the consumer market? All of us are asking ourselves this question. And it cannot be answered unequivocally. For 1988 was characterized by a strengthening of the social and economic dynamics. There was an increase in the rates of growth of produced national income and the real income of the population. The plan for the commodity turnover was fulfilled for the first time in many years. There was a significant increase in the monetary income of the population. But its growth outstripped that of the commodity turnover. The gap between the increase in income and the appearance of goods in the market also proved to be significant because the volume of goods increased less in physical terms than in value terms and also because to a considerable degree their structure did not correspond to consumer demand.

These disproportions or, as they say, unbalances between supply and demand, did not come about all at once and not in a single year. An analysis shows that a number of general social and economic conditions for the development of the national economy in recent years are the basis for the situation existing in the market for consumer goods. The situation could be corrected more easily and more quickly if it merely involved the poor work of trade and our miscalculations.

And, as life shows, we have made quite a few of them. The criticism that is now being directed against trade is very often justified. The commercial service has still not taken active positions with respect to industrial enterprises. The work of trade organizations has many serious shortcomings and frequently gross distortions of the actual technology for organizing trade processes. Locally they frequently have established a work schedule for stores and dining rooms that is inconvenient for the people. All of this unjustifiably leads to the formation of lines and evokes the just complaints of the people. Along with operational control, the trade management authorities must establish the necessary order here.

Thus, what is responsible for the consumer demand being substantially greater than the supply of goods (and precisely this proportion largely defines the state of the market)?

Here it is necessary above all to bear in mind the processes taking place in production and the changes occurring in consumer demand. The sharp decrease in expenditures for alcoholic beverages is evidence of the fact that the interrelationships in the satisfaction of the demand for individual goods are considerably more complex than it appears at first glance. The decline in these expenditures is estimated at 37 billion rubles for the years 1985-1987. The profound social and economic effect from the the reduction of the sale of alcohol is obvious. At the same time, however, there was a shift of consumer demand to food products, cultural and personal services and articles from light industry. What processes took place as a result?

The sale of foodstuffs (not including alcoholic beverages) increased by 15.3 billion rubles in 1987 compared with 1985 and that of nonfood items increased by 12.6 billion rubles, for a total of 27.9 billion rubles. The average annual increase in the sale of these products was almost 14 billion rubles, whereas it was 9 billion rubles in the years 1983-1984. From 1985 through 1987, the sale of confectionery increased by 8 percent, butter by 12 percent, nonalcoholic beverages by 46 percent, perfumery by 22 percent, sporting goods by 19 percent, electrical goods by 17 percent, radio products by 12 percent, and furniture by 11 percent.

This altogether positive trend, however, turned out not to be supported by a corresponding increase in industrial production and in the delivery of consumer goods to trade. In the years 1986-1987, the market resources of all commodities increased by only 12.4 billion rubles and they even decreased for some goods. This means that trade increased the commodity turnover by eating away stocks. There was a sharp increase in the unsatisfied demand.

The difficulties in satisfying consumer demand, especially for high-quality goods, have also been aggravated in recent years by a significant decrease in their importation. Reserves of imported clothing, footwear, knitted



goods and other goods declined in these years by 8.5 billion rubles (in retail prices), including 1 billion rubles for footwear, 3.1 billion for sewn goods, 1.8 billion for silk fabrics, 323 million rubles for carpeting, 75 million for zippers, 60 million for razor blades, and 20 million rubles for sporting goods.

But were the enterprises of light industry able to compensate for these lost goods through corresponding increases in their production? No, they were not. The result was that the reserves of high-quality kinds of clothing and footwear for sale to the people declined—by 2 million overcoats, 1 million raincoats, 6 million jackets, 17 million pairs of warm footwear, and 8 million pairs of low shoes. Worse than that, many of these goods are scarcer today than they were 7 or 8 years ago.

The transition of the enterprises of light industry to new management conditions and the imbalance between the planned volumes of the commodity turnover and commodity resources meant that in recent years the increase in the production of goods occurred through an increase in the role of value factors to the detriment of physical factors. Here we are still seeing the effects of monopolistic practices and producer dictates to the detriment of the interests of the population.

The overall delivery of commodities by the enterprises of light industry (in retail prices) in 1987 increased by 1 billion rubles compared with 1985. The output of commodities at contractual prices and with the index "N" increased by 2.5 billion rubles, whereas the production of other commodities in popular demand at the list price declined by almost 1.5 billion rubles. The striving of industrial enterprises for high profitability is leading to a "washing out" of the inexpensive assortment of goods.

Unfortunately, the quality of many goods remains low. It is hardly necessary to present many facts about the low quality of goods. Everyone is "personally familiar" with this problem. But we will note several facts.

For a number of years, the share of rejected fabrics, clothing and footwear has remained at 8 percent of the inspected quantity. But all of this is a direct reduction of commodity reserves, which is essentially not compensated by industry.

Twelve percent (about 500,000) of tape recorders do not last even the warranted operating period and have to be repaired. One-fifth of television sets are repaired during the warranty period.

Also having a negative effect on the conditions of trade is the discussion in the press of questions having to do with the coming reform of retail prices, which is giving the population a sense of insecurity and evoking the elevated speculative demand for and hoarding of many goods. Products in popular demand and acquired "to be on the safe side" are "floating away" on the waves of

speculative demand. They include detergents, bed linen, toothpaste and such expensive goods as jewelry, furniture, carpets and radio products.

In the years 1986-1987, for example, the average annual sale of jewelry was 3.2 billion rubles. It is estimated at about 4.3 million rubles in 1988. The increase in the sale of furniture went from 2.5 percent in the first 9 months of 1987 to 8.8 percent for the first 9 months of 1988, with the respective increases: household soap from 1.3 to 12 percent, toilet soap from 2.2 to 9.8, synthetic detergents from 3.9 to 9.5, hosiery from 5.7 to 12.6, radio products from 2.2 to 14.1, electrical commodities from 5.3 to 11 and building materials from 19.3 to 21.2 percent.

All of this led to a sharp reduction of commodity stocks. In the years 1986-1987 and the first 9 months of 1988, the stocks of goods in industry and trade declined by 16.8 billion rubles (17 percent). As of 1 October 1988 in retail trade, for example, they were 8.6 billion rubles under the standard amount. Under these conditions, the trading in many commodities is taking place practically "from the wheels" and is characterized by massive interruptions.

Despite the great difficulties, nevertheless, one cannot fail to see a significantly more dynamic commodity turnover and an improvement of its structure. Contributing to this is the beginning increase in labor productivity in industry and the increasing impact of cost accounting in trade. The commodity turnover of trade will be 385 billion rubles in 1989 instead of the 379 billion rubles estimated in the five-year plan.

The legitimate question arises: What are the prospects for the development of trade and what is being done to change the situation in the consumer market and to put an end to the shortages and lines?

As everyone knows, these extremely acute problems were discussed at the 19th All-Union Party Conference and at the July Plenum of the CPSU Central Committee. Important decrees were passed on the production of consumer goods, the development of trade and the restructuring of paid services. And the fundamental changes will depend primarily upon the unconditional fulfillment of these decisions.

Thus, the decree passed by the USSR Council of Ministers in August 1988 "On Measures to Increase Production and to Accelerate the Saturation of the Market With Consumer Goods" foresees an increase in the production of nonfood goods by 24 billion rubles beyond the targets of the five-year plan in the years 1989-1990, including 9 billion rubles in 1989 and 15 billion in 1990.

In 1989, the production of nonfood commodities (besides light industry) will be 6.7 billion rubles beyond the targets for the five-year plan. The production of television sets is to be increased to 10.35 million, that of

tape recorders to 6.2 million, refrigerators and freezers to 6.58 million, washing machines to 7.078 million, and furniture to 9.933 million rubles.

In accordance with the decree, the production of goods of light industry will increase by 2.3 billion rubles in 1989 over the five-year plan and will be 107.7 percent of the 1988 level. In 1990, this excess is to be 6.7 billion rubles through technical reequipment and procurement of raw materials and equipment abroad.

In 1989, the sale of foodstuffs is to increase by almost 8 percent, including 8.1 percent for butter, 12.6 percent for confectionery, 22.8 percent for fish products, 19.2 percent for vegetable oil, 28.9 percent for margarine, and 20.6 percent for natural coffee.

As we see, some good measures have been taken. Now above all, a decisive and radical change in the unbalanced state of the market depends upon the development of production and perestroika in industry. It still has a great obligation to the people. The experience of the last 2 years shows that the targets included in the plans are not being met. There are goods in the plans but not on the store counters.

To a considerable degree, the worsening of the situation in the consumer market was the result of the systematic underdelivery of goods by industry relative to the estimates of USSR Gosplan accepted in the coverage of retail demand by trade. In 1987, industry provided trade a commodity shortfall amounting to 9.3 billion rubles (not counting alcoholic beverages) and for the first 10 months of 1988 the shortage was 7.1 billion rubles. The

television plants delivered 133,000 televisions too few in 1986 and the shortfall was 733,000 in 1987. Just for the first 10 months of the current year, the USSR Ministry of the Communications Equipment Industry received 230,000 televisions too few.

Over the course of 2 years, industry has not been coping with the plans for the production and delivery of refrigerators to trade. In 1987, trade failed to receive 118,300 refrigerators and a shortfall of deliveries of not less than 100,000 is again expected in 1988.

The "Podolskshveymash" Production Association is not fulfilling the established production plans. Thus, in 1986, the market was short 115,000 sewing machines and in 1987 the shortage was 381,000. The delivery shortfall will exceed 300,000 in 1988. Nor is it planned to increase deliveries of these products in 1989. With a need for no less than 3 million sewing machines, the plan calls for 1.8 million to be produced, which is even 100,000 below the 1988 production plan.

And today there is no complete assurance of the unconditional fulfillment of the accepted planning targets. Unfortunately, there are reasons for this. At the beginning of December, under the contracts signed with industry, the volume of deliveries of nonfood products to trade was 13 billion rubles below the control figures of USSR Gosplan. The work to make contracts is still continuing but it is already known that a number of ministries have generally refused to accept the control figures of USSR Gosplan. Essentially not a single industrial ministry has yet offered trade the full volume of goods foreseen by the control figures.

**Contracts Signed for the Delivery of Consumer Goods (excluding goods of light industry) for Sale to the Population in 1989 (data of USSR Goskomstat as of 5 December 1988, millions of rubles)**

| Ministry  | Foreseen by USSR Gosplan | Contracts Signed | Contracts Not Signed | Contracts Signed in Percent of Plan |
|---|--------------------------|------------------|----------------------|-------------------------------------|
| Total for 34 industrial ministries (departments)                              | 75,342                   | 65,511           | 9,831                | 87                                  |
| Including:  |                          |                  |                      |                                     |
| USSR Ministry of Automotive and Agricultural Machine Building                 | 10,402                   | 8,344            | 2,058                | 80                                  |
| USSR Ministry of the Timber Industry  | 10,000                   | 9,073            | 977                  | 90                                  |
| USSR Ministry of the Communications Equipment Industry                        | 5,361                    | 4,812            | 549                  | 90                                  |
| USSR Ministry of the Petroleum Refining and Petrochemical Industry            | 3,091                    | 2,568            | 523                  | 83                                  |
| USSR Ministry of the Chemical Industry  | 4,612                    | 4,119            | 499                  | 89                                  |
| USSR Ministry of Ferrous Metallurgy   | 1,611                    | 1,194            | 417                  | 74                                  |
| USSR Ministry of the Aviation Industry  | 2,213                    | 1,884            | 329                  | 85                                  |
| USSR Ministry of Nonferrous Metallurgy  | 387                      | 282              | 105                  | 73                                  |
| USSR Ministry of the Electrical Equipment Industry                            | 2,324                    | 1,956            | 368                  | 84                                  |
| USSR Ministry of the Machine Tool and Tool Building Industry                  | 794                      | 566              | 228                  | 71                                  |
| USSR Ministry of Instrument Making, Automation Equipment, and Control Systems | 2,472                    | 2,281            | 191                  | 92                                  |
| USSR Ministry of the Shipbuilding Industry                                    | 1,295                    | 1,177            | 118                  | 91                                  |

|  |        |       |       |    |
|--|--------|-------|-------|----|
| USSR Ministry of the Radio Industry                  | 2,331  | 2,112 | 219   | 91 |
| USSR Ministry of the Electronics Industry            | 2,300  | 1,968 | 332   | 86 |
| USSR Ministry of the Defense Industry                | 3,595  | 3,314 | 281   | 92 |
| USSR Ministry of Machine Building                    | 2,937  | 2,693 | 244   | 92 |
| USSR Ministry of the Construction Materials Industry | 1,062  | 923   | 139   | 87 |
| USSR Gosagroprom                                     | 10,003 | 8,403 | 1,600 | 84 |

Clearly the task is to raise the interest and responsibility of industrial enterprises for intense plans that at least meet the control figures. It is obvious that it is necessary to stop providing incentives to enterprises to meet deliveries, which makes them strive to lower the plans and not to accept high contractual obligations. In our view, the resolution of these questions must not be put off for long.

As is apparent, industry and trade face difficult tasks. But ultimately a resolute turn toward satisfying the needs of the Soviet people is possible only through joint efforts and with the profound interest of the labor collectives of enterprises.

Trade workers also have much to do. It is necessary to raise significantly the efficiency of the utilization of the material-technical base of trade organizations and enterprises and to expand the network of self-service stores. Nor do the working hours of trade enterprises suit the people. The introduction of a work schedule for the stores that is convenient to the people and the general transition to self-service are very effective measures in preventing the formation of lines.

We expect a significant economic effect from the transition of the collectives of trade enterprises to the lease, family and brigade contract. There are great reserves in the further improvement of the organization of labor and the strengthening of economic incentives based on the development of cost accounting. It is necessary to make extensive use of a system of bonuses in which the main evaluating indicators will be the high quality of service and continuous trade with commodities having an adequate assortment without lines. It is necessary to work more actively to introduce labor procedures and methods that help speed up service to customers.

## PERSONAL INCOME, SAVINGS

### Real Income of Population Evaluated

18270079 Moscow *PLANOVOYE KHOZYAYSTVO in Russian* No 3, Mar 89 pp 63-71

[Article by L. Zubova, candidate of economic sciences, V. Kovnir, and D. Lantsev: "The Growth of Real Personal Income (Analysis of the Results of the First Years of the 12th FYP)"]

[Text] At first glance, the processes of the formation and use of personal income shaped up more favorably in the period 1986-1988 than in the years of the previous FYP.

As a matter of fact, the program of centralized measures planned with respect to raising the standard of living has been performed both with respect to the composition of those measures and also with respect to the amount of resources during the first 3 years of the 12th FYP. It is a good thing that the rise in the wages of workers in the production branches of the economy is being accomplished mainly with enterprise's own resources, not at the expense of centralized resources, as it was earlier.

Real personal income has been rising at a faster pace than in the previous FYP, and this has been occurring primarily thanks to the growth of the remuneration fund in the economy.

The impression is created that a turning point has been configured in the sphere of personal income, a turning point that signifies that the economy's overall stagnant phenomena and distributive relations in particular are being overcome. But that conclusion is premature: adverse trends in the distribution of income are not only not weakening, they are even becoming stronger. This follows from a deeper and more meaningful analysis of the processes that define the real dynamic pattern of personal income.

The 12th FYP envisaged a certain increase in the growth rates of real personal income as compared to the 11th FYP—up to an annual average of 2.7 percent (or 14 percent over the 5 years). In actuality, the growth of real income, according to report data of USSR Goskomstat, was 2.5 percent in 1986, which corresponded to the targets of the 5-year plan for that year; in 1987, it was somewhat lower—2 instead of the 2.6 percent called for by the plan, and in 1988, it exceeded the planning targets—3.5 instead of 2.7 percent.

But to some extent the reporting of USSR Goskomstat distorts the actual dynamic behavior of real income, since the method of computing it is based on use of the state retail price index, which in essence reflects only changes in list (nominal) prices. As a consequence, a picture of the dynamic behavior of consumer prices is obtained which is known to be unobjective. For instance, the index of list prices of commodities (including alcohol) rose 8 percent over the period 1971-1985, 4.9 percent over the period 1986-1988 (13.3 percent over the 18 years). In actuality, the rise of average retail prices was considerably greater. According to calculations of VNIKS, over the 18 years they rose 38-40 percent as a whole, including 25 percent because of structural shifts in the assortment and changes in the quality of goods. The rise of average retail prices accounted for about 30

percent of retail sales in the period 1971-1975, 49 percent in the period 1976-1980, 57 percent in the period 1981-1985, and more than 60 percent in the period 1986-1987. There is no information as yet on the change of these prices in 1988, but there is good reason to suppose that they have risen still more substantially.

The rise of average retail prices in the consumer sector of the economy is characterized by an annual rate of inflation that is approximately 0.9-1.5 percent. If we take into account the factors of the concealed rise of prices—expansion of the so-called commercial market (consumer cooperatives, kolkhoz trade, the self-employment sector, and new forms of cooperation), the ever greater gap between the price and the real performance characteristics of the commodity (its failure to conform to the quality of commodities), the use of temporary and negotiated prices of particularly fashionable goods, speculation on imported and scarce goods, etc., then inflation will be still higher. Prices (rate schedules) of services, on which there is no information in state statistics, have been rising at a fast pace. The growth rate of personal money savings is also an indicator of higher inflation in recent years. In 1986, 1987, and 1988, the absolute growth of deposits in savings banks reached record levels, 22, 24, and 30 billion rubles, respectively. In spite of overfulfillment of the plan for retail sales in 1988, the growth of those balances exceeded the planning targets by more than 9 billion rubles. The sum total of unused cash on hand held by individuals has also been increasing substantially.

All of this indicates that a trend is outlined toward a decline of real personal income. This conclusion is also supported by the wider gap between the growth of real personal income and retail sales (their growth rates were 8.5 and 7.1 percent, respectively, over the first 9 months of 1988).

One particular reason for the substantial increase in real personal income in 1988 was the transition to the new conditions for remuneration financed out of enterprises' own resources. When they use the first and second models of distribution of cost-accounting (khozraschet-nyy) income and also rent, enterprises have broad opportunities to raise the wages of their workers. As a consequence, last year the growth rates of the average monthly wage of workers and employees in the economy exceeded the rate of increase of remuneration of kolkhoz members for the first time in many years. There is no doubt that development of cooperative and self-employment forms of the organization of work activity also had a substantial influence toward higher personal money income.

The growth of personal money income has not been accompanied by a corresponding improvement of saturation of the consumer market with goods and services, and the imbalance between supply and demand has intensified. The growth of commodity sales in the reporting year occurred mainly because commodity inventories were sold at a fast pace and the share of expensive

articles increased (durable consumer goods, jewelry, furniture, crystal, carpets, etc.). But at the same time, there was also an increase in the number of scarce commodities. Inflationary processes have become more obvious as a result. They are manifested in the rise of consumer prices, the drop in the purchasing power of the ruble, and the depreciation of money savings. "Confidence" in paper money is declining, people are trying to convert it to articles with intrinsic value. Inflation generates social tension in society, intensifies its stratification with respect to property because of a growth of processes not controlled by the state whereby income is redistributed among the various population groups. There is a greater differentiation of the real income of various social groups regardless of their income from work, and the position of individuals and families with fixed income (pensioners above all) is deteriorating in both relative and absolute terms. The instability of the consumer market gives the public a negative attitude toward the economic reforms being carried out and is holding back the effect of financial and nonfinancial work incentives.

If the regulation of all these processes is to be scientifically sound, it is above all necessary to accurately determine in the planning process the real income of the various groups and strata of the population. This should take into account not the index of retail list prices, which distorts the real picture, but the indicator of the actual change of the cost of living, which reflects the growth rate of all types of consumer prices and is differentiated for the various social groups of society. Only in this case can a mechanism be created for social control of inflationary tendencies that would make it possible to correct in good time the level of personal income and above all that of persons with fixed income and low-income families, and guarantee an uninterrupted rise of the standard of living. One of the conditions for effective performance of this task is to acknowledge inflation as a fact of economic development and manage it, that is, control the moderate rise of prices, estimate the true size of inflation, and neutralize its impact on the level of personal income and consumption. Only the uninterrupted growth of real income of all groups and strata of the population can be the criterion of effectiveness in management of the process of inflation.

The new forms of cooperation in the areas of consumer services, production of consumer goods, and the food service industry have still not had a favorable impact toward development of the consumer goods market. According to estimates, at the end of 1988 the volume of sales of goods and services by cooperatives exceeded 2 billion rubles. There has been a notable increase in the number of persons employed in the cooperative sector. But in the last 2 years serious problems have also been noted in the area of cooperatives: a high level of prices for the commodities produced and the services rendered because of the conditions that have come about in reproduction and on the market, and the absence of free competition in the activity of cooperatives. An effective tax system has not yet been worked out for regulating the



income of cooperatives. Inflationary processes in the economy may also be intensifying because cooperatives rendering scientific-production services to state enterprises receive money from them by a credit transfer, but they may sell those services in any of the distribution spheres, including the consumer market. It would seem that the activity of such cooperatives should be regulated from the standpoint of a closer linkage of their income to the results of applying their developments.

### Trends in Remuneration for Work

Even though the growth of the average wage has speeded up in the economy as a whole, especially in the 12th FYP, in a number of sectors (health care, education, and culture) workers have not received an appreciable addition to their wages for decades. The growth of wages as a whole is being achieved thanks to branches of material production such as industry, construction, transportation, and agriculture.

The sizable centralized resources were allocated over the period 1984-1987 to improve the conditions of remuneration in the nonproduction sphere, and the rather high natural growth rate of wages—more than 2 percent per year—has been retained here, by contrast with previous periods. It resulted from the change of the economic mechanism in the nonproduction sphere, specifically the introduction of elements of cost accounting and self-financing, as well as the broadening of payment and the raising of prices for services rendered to the public. As a consequence, in 1987 the growth rate of wages in the

nonproduction sphere (4.8 percent) was higher for the first time in 10 years than in material production (3.6 percent). As a consequence, the relation between workers in these sectors as to remuneration did improve, though slightly, for the first time in the last 20 years (in 1986 it was 0.76 and in 1987 it was 0.87).

In the seventies and eighties, the real wages of certain occupational and skill groups of workers and the standard of living of their families decreased. At the same time, there was an unjustified closing of the levels of remuneration of groups of workers with differing skills (engineering and technical personnel, workers and employees). In 1986, this process halted, and a certain improvement in this relationship has been noted in industry and agriculture.

In the period 1986-1988, the growth of wages of workers and employees occurred when there was a reduction in the number of persons employed in social production, which was caused by the lower growth of labor resources and the outflow of a portion of the workers into the sphere of self-employment and cooperative activity.

Wages rose substantially in material production (Table 1), and there was also a change in the relationship of such exceedingly important indicators as the growth rate of the national income (the general source for increasing the volume indicators of prosperity) and the productivity of social labor (a summary indicator of the efficiency of work in material production).

Table 1

|                              | 1982 | 1983 | Annual Growth, in percentage |      |      |      |      |
|------------------------------|------|------|------------------------------|------|------|------|------|
|                              |      |      | 1984                         | 1985 | 1986 | 1987 | 1988 |
| National income produced     | 4.0  | 4.2  | 2.9                          | 3.5  | 4.1  | 2.3  | 4.4  |
| Productivity of social labor | 3.2  | 3.7  | 2.6                          | 3.2  | 3.8  | 2.4  | 5.1  |
| Wages in material production | 3.1  | 2.1  | 2.6                          | 2.8  | 2.9  | 3.6  | 7.0* |

\* Authors' estimate.

As we see from Table 1, the dynamic behavior of the first two indicators is closely related: a slowing down or speeding up of the growth of one of them is accompanied by a corresponding change in the other indicator. In 1987 and 1988, the productivity of social labor even exceeded the growth of the national income, which was brought about by a decrease in the number of persons employed in material production and indicated a certain rise in the efficiency of live labor. By contrast with these two indicators, the growth rates of wages of persons employed in material production have been rising steadily since 1983; this is brought about mainly by development of decentralized economic methods of regulating remuneration of labor, which can be used only when remuneration is rising at a sufficiently high rate.

In 1986 and 1987, new conditions for remuneration of labor out of enterprises' own resources were established in the production sectors, and the Law on the State Enterprise was adopted. Effectuation of the first and second models of cost accounting still did not yield the anticipated stimulative effect on economic growth, but it did help to speed up the growth rate of remuneration of labor, whose growth exceeded the rise of labor productivity and the national income.

The rise of wages in 1987 and 1988 was also furthered by the fact that enterprises, getting ready to make the transition to full cost accounting (first model), tried to utilize all possible resources for increasing it so that the

base level of that fund would be as large as possible. In actuality, this signified the use not of "own resources," but of state resources, since they had built up under the impact of factors of the administrative economy and were related to the old economic system (the significance of the branch or sector to the national economy, preferences in supply, in delivery of equipment, and so on). The rise of wages was also furthered by the development of the cooperatives, which created a certain competition with state enterprises in attracting qualified workers.

By contrast with the average indicators for the national economy, in many sectors and branches the rise of labor productivity exceeded the rise of wages (Table 2).

Table 2

|                         | Growth of Indicators Over the<br>Period 1985-1987, in percentage |                    |
|-------------------------|--|--------------------|
|                         | Wages  | Labor Productivity |
| Material production     | 6.5  | 6.3                |
| Industry                | 5.3  | 8.9                |
| Agriculture (sovkhozes) | 8.9  | 12.2               |
| Construction            | 8.7  | 11.1               |
| Rail transportation     | 11.9   | 15.0               |

This discrepancy occurs because the mechanism for normative formation of wage funds is linked only to sector rates and volume indicators (the volume of production, the productivity of labor, etc.). As a consequence, the rise of money income of workers in the sector occurs to a considerable degree autonomously of the rise of the national income, i.e., of the net product of the entire economy after subtraction of material costs.

The amount of money paid out in wages is related to the share of the intermediate product which either brings about consumption in a transformed form or does not result in consumption at all (losses, illiquidity, stale goods, unfinished construction, use outside the sphere of personal consumption). Quite often the sectors and enterprises of material production achieve the necessary rise of indicators thanks to structural shifts in production and by increasing costs and raising prices. This is especially typical of the branches of Subdivision 1 of social production, in which the influence of consumers on product quality and the rise of prices is in general negligible, and the rise of wages occurs independently of the balance between wages and the commodity coverage. The output of these branches influences the state of the consumer market only indirectly. But the money paid out will immediately exist on the market as real demand for the existing volume of consumer goods.

All of these circumstances are general prerequisites for an imbalance between personal demand and the supply of goods. Usually, their operation has been neutralized to a certain degree by the rigid planning of planned wage

funds. But even in that case exceedingly important national economic proportions were not fully taken into account: the relationship among the sectors of the economy, the production structure in various republics and large regions, the interrelationship between the growth of remuneration and the productivity of labor, etc. What is more, plans of centralized measures to raise wages have usually been departmental in nature and have not been worked out in the context of the general problems of distribution according to labor, and the influence of these measures on production processes was not taken into account.

Such methods can no longer be used under present-day economic conditions. But adoption of the new wage-schedule conditions at enterprises in material production financed primarily from resources earned by the collectives themselves does not eliminate the necessity for state planning and regulation of the relations in distribution. The present unjustified increase of remuneration in that production sector is contributing to intensification of inflation. Inflation is generated not only by imbalance on the consumer market, but also by the fact that the cost-fighting mechanism is still not operative, and there is no appropriate set of instruments to measure and regulate inflationary processes. As for gratis services to the public, acceleration of the growth of wages is not only socially justified in that sector, but it is economically indispensable in view of the chronic lag of those branches with respect to the level of that indicator.

The contradictoriness of the processes taking place in distribution according to work reflects the new stage in the economic development of the entire national economic complex. In our view, the transition to economic methods of managing economic entities has made the boundary less distinct between the wage as a production resource and element of cost and the wage as the money equivalent of the corresponding share of the fund for personal consumption. Cooperatives and enterprises operating under leasing arrangements have an opportunity to use personal money income as a production resource to form and augment their own working capital. Thus, for those enterprises the entire volume of personal savings of the population—300 billion rubles—can in principle serve as a source for development and replenishment of funds. That is why an altogether different solution is needed for the problem of managing money flows and the volume of money in the hands of individuals and also the problem of determining national economic proportions, which must be oriented toward real long-term changes in the economic structure.

#### Problems in the Formation and Use of Money Payments From Social Consumption Funds

In the 12th FYP, the volume of social consumption funds has been increasing rather rapidly. The rate of their growth was 5.4 percent in 1986, 5 percent in 1987, 7.5 percent in 1988, as compared to a 4.7-percent average annual indicator during the last FYP. In 1988,

these funds amounted to 175 billion rubles, which is 4 billion rubles more than envisaged by the 5-year plan. In 1989, this gap will increase still more and will be equal to 10 billion rubles. But these figures were achieved mainly because of the faster rise of costs in the sphere of gratis services because of higher wages paid to personnel in education and health care. The actual volume of gratis services has been increasing at slower rates.

The growth of money payments from social consumption funds by and large is in line with planning targets. Nevertheless, they have not made it possible to essentially improve the situation in this sector of distribution nor to solve the numerous and complicated problems of those population groups whose standard of living depends to a considerable degree on those payments.

There has been a drop in the average annual growth rate of the average old-age pension of workers and employees. It has been 2.5 percent, whereas in the 11th FYP it exceeded 4 percent. As a consequence, the growth of the average size of the old-age pension has again, just as before 1981, begun to lag behind the rise of wages. Whereas in 1985, the old-age pensions of workers and employees amounted to approximately 46 percent of the average wage, in 1988 the figure was 43.3 percent.

The increase in the nominal size of the pension is having an ever weaker effect on the growth rate of the real level of prosperity of elderly persons. Even when inflation is estimated at the minimum level, it virtually nullifies that growth. Moreover, there is every reason to suppose that the adverse processes which are now taking place in the sphere of income use are having the most essential effect on the standard of living of retired people. People who receive a pension, especially the minimum pension or one close to the minimum pension (and their share exceeds 30 percent among workers and employees), are for all practical purposes deprived of any possibility of making choices in consumption, i.e., of switching demand from certain goods (for example, because they have become too expensive) to other goods. Because of low income, the choice of these pensioners is limited to consumer goods that satisfy only elementary requirements. The "rinsing out" of goods in the inexpensive assortment has been having a particularly adverse effect on the standard of living of retired people, even when this results in the emergence of goods that actually do have improved performance characteristics.

It is difficult for pensioners to go from city to city and rayon to rayon in search of the goods they need. Not only that, often they are not able to do this even within their own settlement. But that need arises because of the constant interruptions in delivery of a sufficient assortment of goods.

Inflationary processes detract from the value of the savings of pensioners which they have earned by their work and take away their confidence that they will have a secure existence in the future. Pensioners, especially

the older ones, have no opportunity to increase the level of their income. In many cases, material assistance can come to them only from public sources.

Insufficient attention has been paid to pensioners in the program of the new centralized measures for the period 1986-1990. The most important measure—that of raising the minimum pension level to 60 rubles—has been put off to the end of the 5 year period and, it would seem, it will not solve the problem of overcoming the material insecurity of pensioners, since this level is not up to the scientifically substantiated level of subsistence of the retired person at the present time.

The level of security provided to kolkhoz members through the pension is still extremely low; more than 80 percent of retired kolkhoz members receive pensions amounting to less than 60 rubles. Here again, the measures being taken have not been having a radical enough effect on the standard of living of the elderly. There has been improvement in the security of people receiving pensions of less than 50 rubles per month and awarded more than 10 years ago. But all pensioners who have been retired for a long time are now in need of that kind of revision.

Aside from security provided through pensions, the level of real prosperity of pensioners is also affected by their family status. At the present time, there are about 10 million elderly and disabled people living alone. About 700,000 of them are in need of daily assistance from outside. At the same time, the number of boarding homes, especially in rural localities, has been growing slowly. There has been no improvement in their adequacy relative to population since the beginning of the 5-year planning period, and the waiting list of those who need places in such homes is continuing to grow.

On the whole, the program of measures in the area of social security is not comprehensive in nature and is aimed at solving disparate and fragmented problems. Approximately 90 percent of all the funds spent in the first 2 years of the 5-year period went to completion of the social program of the last 5-year planning period.

The circumstances enumerated above not only make it intolerable to postpone adoption of the new law on worker pension coverage, but they make it necessary to envisage measures in addition to the plan in order to improve the material situation of those groups of pensioners who are in the greatest need. If that recommendation is not to sound like a simple declaration given the acute budget deficit at the present time, sources of funds need to be determined for financing these measures. Certain reserves exist, and many economists have been pointing them out, in the pension system itself. The reference is above all to the practice of simultaneous payment of pension and wages to old-age pensioners who are working. This procedure radically alters the social nature of the pension. Instead of meeting the needs of persons beyond working age at a certain level, the

pension essentially becomes a supplement to the wage that is paid from another source—social security funds. According to various estimates, the state annually spends between 8 billion and 10 billion rubles for these purposes. But there are other less expensive ways to give incentives to working pensioners whose application would make it possible to make funds available and to commit a portion of them to improving pension security proper.

There are serious unresolved problems in the area of social assistance to the family. The present system of benefits is distinguished by extreme disconnectedness. At the present time, there are 14 types of benefits for children. They were adopted at various times and under differing socioeconomic conditions, as a rule without taking into account the forms of social assistance that already existed. The large number of children, the existence of disabled children in the family, the incompleteness of the family, the low level of income, etc., were the basis for awarding them. But the benefits were not coordinated with one another; and the benefits received by the family were not taken into account when they were paid. The benefits themselves have little effect on the level of the family's prosperity (their share does not exceed 2 percent of the family budget).

The benefit for children of indigent families, which is paid for 5.5 million children, is most closely related to the level of the family's prosperity. But this form of social assistance also has essential shortcomings. Above all, the small size of the benefit and the restriction as to the maximum age of the children for which it is paid, which is 8 years. Benefits are awarded only to families with children, but approximately 10 million persons with a per-person income less than 50 rubles do not have minor children, and accordingly they receive no benefits whatsoever. It is obvious that without additional and special measures it will not be possible to eliminate indigence by 1990.

A decree of the CPSU Central Committee, USSR Council of Ministers, and the AUCCTU dated 17 July 1987 envisages development of a unified system of family benefits. This work has already begun. At present, there are several different versions for development of assistance to families with children.

In a number of socialist countries, they have begun to pay benefits to families simply because there is a child in the family, in order to increase the birth rate. The assumption here was that in future the needs of the children would be met entirely at the expense of society, so that distribution according to work would meet the needs of the workers themselves. Certain Soviet scientists also think that it would be advisable to introduce such a system.

But in our view, such proposals are not altogether sound. First, supporting the family and bringing up the children are a part of the personal needs of the members of

society. When a child is added to the family, this broadens the needs of the parents and creates additional incentives for increasing their work contribution. That is why optimizing the combination of interests of individual workers and of society as a whole can be achieved not only by developing the system of assistance and benefits for families with children, but also by broadening the opportunities for obtaining income through work. This applies above all to young people.

Second, as shown by the experience of the socialist countries, intensive development of the system of family benefits has not resulted in the anticipated rise in the birth rate. What is more, in the case of the USSR the task of raising the birth rate can be posed only for a number of regions. In the others, the number of families needs to be stabilized or even reduced. But these contradictory tasks must be performed within the framework of a uniform social welfare policy for the entire country.

Thus, the dependence on society of all children up to age 16 cannot be considered a current or even long-term objective. At the same time, needy families must receive assistance from the state within the established limits. The first thing to do in that direction is to increase the level of those benefits and also to abolish those unjustified restrictions on awarding them, as we have mentioned above.

Nor has the size of benefits paid to mothers when a child is born had sufficient influence toward improving the financial condition of families with children. The 5-year plan envisaged an increase in the length of paid and unpaid leave to care for a child, but it did not envisage an increase in the amount of that benefit. The birth of a child has a particularly essential impact on the prosperity of young families. According to calculated data, this cuts the income of the young family in half. It is no accident that 40 percent of indigent families are families with one or two children and they are mainly young families.

This article has examined only some of the problems of distributive relations under the new economic conditions. But even they indicate that the difficulties of the transitional period are related to the insufficient consistency and the halfheartedness of the reforms being carried out, the lack of methods for effective management of money flows, the lack of incentives to channel them in the necessary direction in order to perform social and economic tasks. The development and use of such methods must become the main content of income policy in the present stage. Major new decisions must soon be made in the area of income, and a price reform and tax reform must be carried out. The experience of the first years of the FYP has to be used to carry them out with the greatest social and economic benefit.

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### Growth in Non-Cash Transactions in Savings Banks Analyzed

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[Article by V. A. Pavlov, chief of the clearing department in the Russian Republic Bank of the USSR Savings Bank: "The Savings Bank's Checkbook"]

[Text] With the broad implementation of credit operations and the expansion of non-cash transactions by the population, the USSR Savings Bank—in pursuit of the policy of restructuring—has promoted the task of guaranteeing the integrated non-cash servicing of each Soviet family by expanding the system for transfers into the population's monetary income deposits and for non-cash transactions for goods and services.

The existing development level of the population's non-cash transactions for goods and services cannot satisfy us today. Unfortunately, we have paid attention for a very long time to the extensive process in the growth of deposits. We have not mastered the mechanism for non-cash transactions in deposits. Today, the population is using non-cash transactions for goods and services 10-fold less than the rational organization of money turnover requires. The existing forms for account and financial documents need to be improved since they are cumbersome and have not been standardized for machine processing.

USSR Savings Bank management board specialists have developed a concept for an integral automated system for the population's non-cash transactions (TsASBR) whose implementation will be carried out using modern automation systems. The creation and introduction of the checkbook was the first step on the path to reorganizing the population's non-cash transaction system. Depositor payment for goods and services using checks from a checkbook was introduced as an experiment on all RSFSR territory in 1988.

A series of measures were carried out in order to introduce checkbooks in an organized fashion. It is necessary to include the seminar meeting with the leading workers of the Savings Bank's management among these. This seminar determined the primary tasks of the bank's institutions in introducing the new settlement form. We should also include the conducting of the inspection contest to expand this form of settlement; the organization of broad mass explanatory, advertising and informational work to popularize checkbooks among the population; etc.

Besides the traditional publicity work forms, different ones, having a prestige nature, were widely used, beginning with the issuance of calendars and colorful self-sticking labels designed for placement on cash registers in trade establishments and ending with television and

movie advertising spots. The publicity spots, which were shown during pauses in the sports reporting from the Seoul Olympic Games, are an example of this.

Paying attention to the fact that success in expanding the new settlement form will mainly depend on the effective and qualified work of the bank's operations and teller personnel, steps have been taken to make the role of the human factor more active. Considering the labor-intensiveness of the operations in issuing checkbooks, it was recommended that the labor participation coefficient be increased when determining the wages of inspectors, who have achieved the best results in this work, and that the best workers and collectives, who have proven themselves during the introduction of the check settlement form, be encouraged in every way possible.

In order to reveal progressive work experience in expanding the population's non-cash transactions using checkbooks and to study the attitude of depositors toward this type of settlement more deeply, a competition was conducted on issuing checkbooks to depositors in Moscow for a week between the workers in the Savings Bank's institutions. The winners were those workers who issued the largest number of checkbooks (the amounts, for which the checkbooks were issued, were also taken into consideration). Certificates and monetary bonuses were awarded to them for individual (among the inspectors) and team (among the bank's departments) first place.

The competitions permitted the efforts of the bank's operations and teller personnel to be concentrated on expanding operations to issue checkbooks and contributed to increasing the professional training level of the inspectors in improving these operations and in disseminating progressive work modes and methods. For example, the advance filling out—within the limits of the daily requirement—of all checkbook paperwork, except the title sheet, and the issuance of a checkbook instead of a savings book—with the customer's agreement—when an account was opened, are related to these.

During the introduction of checkbooks, the Russian Republic's bank developed and introduced a procedure for issuing checkbooks to borrowers in order to improve settlement and permitted the issuance of several checkbooks for one account—within the limits the deposit balance—and the issuance of a checkbook to a proxy. The Rules for Using Checkbooks were amplified and made more exact, and all agencies of the Savings Bank were involved in check payments.

The rules for using a checkbook were initially coordinated with the RSFSR Ministry of Trade, RSFSR Union of Consumers' Societies, and RSFSR Ministry of Consumer Services. In order to expand checkbook use, questions concerning the use of checks as a means of payment for tickets on long-distance trains, motor transport shipment services, tickets and tourist vouchers on passenger ships, communications enterprise services,

automobile repairs, and acquired books and goods, were solved jointly with the USSR Ministry of Railways; USSR Ministry of Communications; RSFSR Ministry of the River Fleet; RSFSR Ministry of Motor Transport; RSFSR State Committee for Publishing Houses, Printing Plants, and the Book Trade; the AvtoVAZtekhobsluzhivaniye [Volga Motor Works Automotive Technical Service] Association; and the Rosokhotrybolovsoyuz [Russian Hunting and Fishing Union] management board.

In connection with the expansion of operations to issue checkbooks to borrowers, the institutions of the republic's bank conducted the appropriate work for the use of checks to pay for acquired construction materials in wholesale-retail associations and stores at enterprises producing building materials.

In addition, the offices and departments of the USSR Savings Bank broadly expanded the work for the use of checks to pay for all types of goods and paid services based on decisions and instructions made by soviet agencies or the councils of USSR banks about expanding the population's non-cash transactions. Thus, settlements using checks from checkbooks have been considerably expanded as against the traditional ones using payment checks.

The experience in organizing the work of the Kemerovo Oblast Office of the USSR Savings Bank, which is insuring the widespread introduction of the checkbook to pay for goods and services, deserves attention. The office has taken appropriate organizational steps and broadly brought the advantages of the checkbook to light in the press, radio and television. This resulted in the massive acquisition of checkbooks by depositors. The Kemerovo oblispolkom, which has decided to take checks in payment for various goods, including food products, provided a great deal of help in performing this work. Settlements using checks from checkbooks have high effectiveness in fulfilling the tasks involved in the population's non-cash transactions with trade and other organizations. During the third quarter of 1988, the percentage of settlements by checks from checkbooks reached 25 percent of the total amount completed by the non-cash method.

The Murmansk Oblast, Stavropol Kray, Moscow City and a whole number of other offices of the USSR Savings Bank, in whose subordinate institutions the percentage of issued checkbooks has already reached 1-2 percent of the number of on-call deposit accounts, have performed the work to settle using checks from checkbooks very effectively.

The first results of the work to introduce the new settlement form testify that the population has greeted the checkbook with interest, and the use of checkbooks is definitely expanding. By the beginning of 1989, 0.6 million depositors and 75,000 borrowers in the RSFSR had checkbooks. During the second quarter of 1988, the

percentage of settlements using checks from checkbooks reached 6.4 percent of the total amount of the population's non-cash transactions with trade, municipal and other organizations; and 12.6 percent in the third quarter.

Examinations of check turnover, which were based on 1988 second quarter results and which were conducted in 11 departments of the USSR Savings Bank in the Tatar ASSR, Krasnoyarsk and Stavropol krais, and Kemerovo Oblast for the purpose of studying the migration and nature of the use of the monetary assets introduced in checkbooks, have shown that the ratio of checks, offered in payment for goods and services, and cash is approximately equal. By expanding checkbooks, this ratio is changing more and more in favor of non-cash settlements. It is very important that, in the 11 bank departments examined, checkbooks were not returned unused by their owners although such fears existed during the first stage of introducing the new settlement form.

Experience from using checkbooks has shown their universal nature. The checkbook combines the functions of the settlement check and the letter of credit and replaces the transfer of deposits. It can be used both by depositors who have on call premium, monetary and material, and special (ruble) deposit accounts and by borrowers. Its use when granting loans permits the problem of reducing the ready cash turnover and of improving control over the special-purpose use of a loan to be solved.

Questionnaires and conducted surveys of checkbook owners and their letters and desires have shown that the population is giving a positive rating to the checkbook. In this regard, critical comments and suggestions have been expressed: its restriction to only the area of the RSFSR, its awkwardness in constant use because of its flimsy cover, the large size of the blank check, and the absence of perforations that makes separation of the checks difficult. Moreover, as experience has shown, owners use far from all the checks or, on the other hand, have an insufficient number of them.

The first 0.7 million checkbooks are in the hands of the population. Is this a lot or a little? It is known that any settlement form, which is introduced to replace cash, will not take root easily. Nevertheless, one must admit that the check settlement form is being introduced at a slow rate. The problem of the population's psychological lack of preparation for using this suggested Savings Bank service—the main reason for which is the lack of confidence in the modern settlement form—is hindering the expansion of settlements using checkbooks to a significant degree. The lack of knowledge of the advantages of a checkbook and the lack of confidence—the fear of possible obstacles in paying for goods and services—are stopping inexperienced depositors.

The use of checks from checkbooks directly in settling for goods and services, especially during the stage of introducing the new settlement form, has taken place with certain difficulties in the unhindered acceptance of checks for the payment of purchases by the recipient. Let us point out that the resistance to the acceptance of checks has occurred passively and from a lack of knowledge, and that is why a "campaign to abolish illiteracy in tellers and administrators" is required.

We see the solution of these problems to lie in the Savings Bank's institutions taking steps to design checkbooks effectively and accurately and in the recipient of a payment accepting checks for payment freely.

In order for this settlement form, which is a fundamentally new one for the country, to be successfully expanded, it is necessary to develop a program for expanding non-cash transactions in goods jointly with the USSR Ministry of Trade. In addition, it seems useful to interpret critically foreign practices in using checks. Foreign experience will provide an opportunity to better evaluate the prospects and limits for expanding settlements using checkbooks and to foresee situations that will arise during the introduction and functioning of the check settlement form.

For example, isolated cases of the formation of negative deposit balances as a result of owners erroneously making out checks in an amount exceeding the balance, exist. Thus, an owner receives a peculiar type of bank credit. The need arises to collect interest on the amount owed to the bank.

It is necessary to point out that the essence of on-call deposits has significantly changed with the introduction of the checkbook. From now on, the variety of services in transactions, which permit the depositor to carry out practically any monetary operation, underscores more the settlement than the savings nature of an on-call deposit. With time, this can raise the question of the validity of paying interest on a deposit.

Therefore, having received approval in practice, the "test" checkbook—despite certain imperfections—has proven its viability. However, it is necessary today to take the next step in expanding the check settlement form. Let us remember that 17 years have passed since the introduction of settlement checks and the establishment and introduction of checkbooks. The very rapid introduction of checkbooks for settlements—checkbooks which are convenient and simple to use and which have a broad application area—and common rules for using them on all USSR territory are required.

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## ELECTRIC POWER GENERATION

### Government Decree on Armyanskaya AES Shutdown Published

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10 Jan 89 p 5 /sb

[Decree signed by N. Ryzhkov, chairman of USSR Council of Ministers, and M. Smirnyukov, administrator of Affairs of the USSR Council of Ministers: "The Situation of the Power Units of the Armyanskaya AES and Measures To Ensure Power Supply for the Transcaucasian Republics"]

[Text] The Council of Ministers decrees:

1. In consideration of the general seismic situation, related to the earthquake on the territory of the Armenian SSR, to adopt the proposal of the Armenian Communist Party Central Committee, the Armenian SSR Council of Ministers, the Interdepartmental Scientific-Technical Council on Questions of Nuclear Power at the Bureau of the USSR Council of Ministers on the Fuel-Energy Complex and the USSR Academy of Sciences on the situation of the Armyanskaya AES in earlier periods than had been stipulated. Shut down the first power unit of the electric power plant beginning on 25 February 1989 and the second power unit beginning on 18 March 1989.

The USSR Ministry of Atomic Power and the USSR Ministry of Medium Machine Building, with the participation of USSR Gosatomenergondzor, are to adopt additional organizational-technical measures in January 1989 on the safety of the units shut down and increased seismic stability of the buildings and structures of the Armyanskaya AES and ensure their implementation in 1989.

2. The USSR Ministry of Power and Electrification, the Georgian SSR Council of Ministers, the Azerbaijan SSR Council of Ministers and the Armenian SSR Council of Ministers, because of the shutdown of the power units of the Armyanskaya AES, are to work out, with the participation of the interested ministries and departments of the USSR, and in a ten-day period to approve measures to balance the production and consumption of electrical energy and power in the republics and ensure their unswerving fulfillment. These measures stipulate, specifically, the tasks for all the enterprises and organizations, regardless of departmental subordination, for additional conservation of electric power and a 15-20 percent reduction of the electric power consumed by them in the hours of the maximum electric loads on the power systems by converting enterprises and organizations to a continuous work week, with a shifting of days off and the beginning and end of the work shifts, putting power intensive equipment in for repair in the winter period, and also restricting the consumption of electric power for municipal-everyday needs.

Permit the energy supply organizations to define precisely the contracts for use of electric energy concluded in 1989.

3. The USSR Ministry of Power and Electrification is to establish the assignment for increasing the use of the established power of the electric power plants of the Transcaucasus at 330,000 kilowatts in 1989 and 230,000 kilowatts in 1990.

4. The USSR Ministry of Power and Electrification, with the participation of the USSR Ministry of Atomic Power, the USSR Ministry of Heavy, Power and Transport Machine Building, the Energomash Intersectorial State Association and other interested ministries and departments are to:

Work out and, upon agreement with USSR Gosplan, confirm, in the first six months of 1989, an expanded technical-economic substantiation for re-equipping the Armyanskaya AES to a thermal electric power plant and determine the periods for putting the power capacities at this electric power plant into operation;

Adopt additional measures to ensure putting into operation, at the Rostov AES, power units No 1 in 1989 and No 2 in the first six months of 1991.

5. The USSR Ministry of Construction in the Southern Regions is to construct in 1989-1991 objects for the production purposes of the Rostov AES according to the contracting agreement with the USSR Ministry of Power and Electrification for 20 million rubles worth of construction and installation work, including 7 million rubles worth in 1989, as well as to ensure constructing and putting into operation in 1989-1992, in the city of Volgodonsk, apartment houses with a total area of 70,000 square meters yearly for the operating personnel of the Rostov AES and organizations of the USSR Ministry of Power and Electrification.

The Rostov Oblispolkom and USSR Ministry of Heavy, Power and Transport Machine Building are to ensure the transfer to the USSR Ministry of Atomic Power of these apartment houses, the construction of which is financed according to the procedure of proportional participation.

6. The USSR Ministry of Power and Electrification is to:

With a view to ensuring compensation for the capacities forced out at the Armyanskaya AES and reliable power supply for the Transcaucasian republics, implement construction and put into operation power capacities and electrical network objects in the Transcaucasian republics.

In consideration of the compressed time periods for planning and constructing the Razdan GRES and re-equipping the Armyanskaya AES as a thermal electric power station, with a view to providing for the growing needs of the Transcaucasian republics for electric power,



permit the USSR Ministry of Power and Electrification to expend up to 1 million rubles to award bonuses to the work collectives of the planning and construction-installation organizations for fulfillment and overfulfillment of the goals, including these expenditures in the consolidated estimated calculations of the cost of constructing the corresponding electric power plants;

Complete the repair of power unit No 4, with a capacity of 200,000 kilowatts, of the Razdan GRES, putting it into operation in January 1989;

Take measures for the fulfillment in 1989-1992 (in the summer) of work on the repair, modernization and re-equipment of thermal electric power stations in the Transcaucasian republics, rendering the electric power stations the necessary assistance through material-technical resources and skilled repair personnel.

The USSR Ministry of Power and Electrification, the Georgian SSR Council of Ministers, the Azerbaijan SSR Council of Ministers and the Armenian SSR Council of Ministers are to create, in 1989-1990, enterprises to repair the equipment of the electric power plants of the Transcaucasian republics;

To ensure, in the 3d quarter of 1989, the conversion of the Tkvarchelsk GRES to natural gas;

To work out and approve in the first six months of 1989, the planning documentation for construction in the southern regions of the Azerbaijan SSR and the Armenian SSR, of electric power transmission lines, with a voltage of 330 kilovolts, necessary to increase the reliability of the electric supply to consumers, and ensure the construction of these lines in 1990-1991.

7. The USSR Ministry of Power and Electrification and the USSR Ministry of Installation and Special Construction Work are to ensure the completion of construction and put into operation in the 3d quarter of 1989 smokestacks 330 meters high for power units Nos 7 and 8 of the Azerbaijan GRES.

8. The USSR Academy of Sciences and USSR Gosstroy are to define precisely the seismicity of the territory of the Georgian SSR, the Azerbaijan SSR and the Armenian SSR, and in January 1989 are to issue to the USSR Ministry of Power and Electrification charts of the seismic regionalization, necessary to plan power projects and develop equipment in these republics.

9. USSR Gosplan is to stipulate the inclusion in the state order for 1990-1995, and USSR Gosnab, the USSR Ministry of Heavy, Power, and Transport Machine Building, the USSR Ministry of the Electrical Equipment Industry, the USSR Ministry of Chemical and Petroleum Machine Building, the USSR Ministry of Instrument Making, Automation Equipment, and Control Systems, the USSR Ministry of the Shipbuilding

Industry and the Energomash Intersectorial State Association are to ensure the manufacture and delivery of equipment and items for the construction of the power capacities specified by this decree, in the periods and in accordance with the technical assignments coordinated with the USSR Ministry of Power and Electrification and the USSR Ministry of Atomic Power.

The Bureau of the USSR Council of Ministers for Machine Building and the Bureau of the USSR Council of Ministers for the Fuel-Energy Complex are to define precisely the state order for the supply of this equipment in 1989.

10. The USSR Ministry of Power and Electrification and the USSR Ministry of the Electrical Equipment Industry are to fulfill the plant repair of hydrogenerator No 5 of the Mingechaur GES, putting it into operation in the 3d quarter of 1989, with this generator subsequently to be replaced by a new one, in accordance with the established procedure.

11. The RSFSR Council of Ministers and the Georgian SSR Council of Ministers are to ensure, in the 1st quarter of 1989, the allocation of land parcels for construction of 500-kilovolt electric power transmission lines specified by this decree, for the Inguri GES—Central, and to implement, in the first six months of 1989, with forces of the subdepartmental organizations, felling trees and cleaning clearings for these lines.

12. USSR Gosnab, for the purpose of ensuring prompt manufacture of metal structures for the main wing of the Razdan GRES, and in consideration of increasing the volumes of the construction and installation work in 1989, are to allot, to the USSR Ministry of Power and Electrification as an ultimate purpose, in the first six months of 1989, an additional 10,000 tons of rolled metal and 30,000 tons of cement (through redistribution among the consumers), in accordance with the specifications presented by this ministry.

13. For the Azerbaijan GRES (expanded section), the Novoazerbaijan GRES, the Novobaku TETs, the Yerevan TETs-2 and for the electric power plant creating the base for the Armyanskaya AES, natural gas and a reserve of furnace residual fuel oil are to be established as the basic type of fuel.

The USSR Ministry of the Gas Industry is to fulfill, in the first six months of 1989, the preplanning developments necessary to expand the gas pipeline systems transporting gas to the Northern Caucasus and the Transcaucasus, in consideration of providing gas for the electric power plants specified by this decree, and on problems requiring a solution of the USSR Government, to present proposals to the USSR Council of Ministers.

14. The Ministry of Foreign Economic Relations is to purchase in Hungary two air-condensation units for the sum of up to 31 million rubles, with the supply to the Razdan GRES of the first unit in the 1st quarter of 1990 and the second unit in the 1st quarter of 1991.

USSR Gosplan is to specify the allotment of the necessary funds to purchase these units.

The USSR Ministry of Power and Electrification is to ensure in 1992-1995 above-plan export of electric power to Hungary, in compensation for the expenditures to purchase these units.

15. USSR Gosplan and USSR Gosnab are to ensure the allotment of:

In 1990 and subsequent years, to the USSR Ministry of Power and Electrification, with the ultimate purpose of construction of the power facilities specified by this decree, basic building materials, motor vehicle transport, load-lifting equipment, construction machines, cable products and other material-technical resources, in accordance with the physical volumes of the work;

In 1989, for the USSR Ministry of Power and Electrification, additional materials and equipment (through redistribution among the consumers).

16. The USSR Ministry of Atomic Power and the USSR State Committee on Labor and Social Problems are to introduce, in accordance with the established procedure, a proposal on wages for the workers of the Armyanskaya AES after shutting down the power units of this station.

The Council of Ministers considers the fulfillment of the assignments specified by this decree to be a particularly important state task and makes the directors of the appropriate ministries and departments of the USSR, the councils of ministers of the union republics, and the enterprises and organizations personally responsible for carrying them out strictly within the established time periods.

**Development of Latvian Energy Complex Outlined**  
*18220081 Riga SOVETSKAYA LATVIYA in Russian*  
3 Jan 89 p 2

[Article by I. Faktarauskas, chief specialist of the Latgiproprom Institute: "Thermal-Power Engineering: Overcome Separateness"]

[Text] The plan for the Concept of Economic and Social Development of the Latvian SSR in the period up to 2005 emphasizes the fact that achieving advanced goals and milestones and carrying out the established priorities should be ensured by creating and using the new economic mechanism, making it possible to intensify the comprehensive nature and increase the efficiency with which the republic is developed.

The thermal-power engineering services in our country have a number of special features. In contrast to other regions of the country, approximately half of the total consumption of thermal power goes to "municipal housing" facilities. In the course of the forthcoming 15-year period, the republic's need for thermal power will increase by approximately 30 percent, and in this time of municipal-housing facilities, in consideration of carrying out the "Zhilishcha-2000" program—by a factor of almost 1.5.

Heat for the cities and urban settlements of the republic is at present supplied by two TETs of the Ministry of Power and Electrification, seven small TETs of the industrial enterprises and over 5500 boiler houses belonging in practice to all the republic and union republic departments, as well as to most of the enterprises under union jurisdiction. This is evidenced by the structure of heat source distribution. For example, only 30 percent of the total consumption of thermal power in the cities and urban settlements belongs to Latvglaven-ergo. Another 10 percent goes to the other specialized association—Latviyas siltums. Therefore, 60 percent of the need for heat supply in our cities and urban settlements is provided from heat sources belonging to enterprises and organizations for which heat supply problems are by no means the main thing. Therefore, as a rule, they cannot service their boiler houses and thermal networks in a sufficiently skilled manner. Moreover, over one-third of the thermal energy obtained in cities and urban settlements from sources of centralized heat supply goes to boiler houses belonging to non-power enterprises. At the same time, in the cities, except for Riga, Daugavpils, Olain and others, the specific proportion of the heat sources belonging to these enterprises and organizations is considerably higher, and reaches 80 percent.

From the figures given it is clear that, in contrast to electric energy and gas supply systems, a decentralized system of management, with all its inherent negative points, is characteristic of the republic's thermal power services, no matter what the difficulties are in introducing new equipment and automated devices, or the attitude toward eliminating small boiler houses, development of centralized heat supply, etc. The creation in 1980 of the Latviyas siltums Association within the Ministry of Internal Affairs was unquestionably beneficial. Because of the narrow framework of its functioning, however, no major changes could be introduced into the matter of managing the thermal-power services of the cities and urban settlements. The procedure existing so far in the republic for managing the thermal-power services differs little in practice from that of 30-40 years ago, when the heat supply was generated either from TETs or from local boiler houses. It often leads to substituting departmental interests for general national interests, and as a result—to national economic damage.

According to the preliminary data, capital investments to construct new and renovate existing thermal-power facilities in the 13th Five-Year Plan are estimated at

over 90 million rubles. They are almost double the expenditures in the 12th Five-Year Plan. Essentially, there is not a city in the republic that does not require the construction of new or development of existing boiler houses and heating networks. Increasing the power of TETs-2 in Riga, the construction and renovation of rayon and city boiler houses in Ventspils, Liepaje, Daugavpils, Kuldige, Madona and Jelgave are necessary to ensure thermal power for future housing developments and other national economic projects. Under the conditions of limiting resources, determination of the expediency of constructing each thermal-power engineering project must be approached very carefully.

It must be acknowledged, however, that under the existing conditions of decentralized management of the development of thermal supply systems, the practical experience of the past years continues. For example, there is persistent "forcing" of the proposal of the Jurmala gorispolkom and thermal network enterprise of the city to construct thermal networks from the Kemer boiler house in Kauguri, extending over eight kilometers and with capital investments of almost 3.5 million rubles. The specific capital investment for the construction of these networks, according to the estimates of specialists, is 2.5-3-fold higher than the average specific expenditures to construct main thermal networks in other cities under republic jurisdiction. The national economic damage from constructing these networks on just the section from the Kemer boiler house to Jaunkemer is up to 180,000 rubles a year. Just what are the "pluses" to this construction?

In reality, it will make it possible to avoid the appearance of another two or three gasified boiler houses in Jaunkemer for heat supply of the project under construction of the USSR Ministry of Machine Building and, possibly, several other long-term health facilities for union organizations. The use of these resources, however, to improve the heat service in the Bulduri-Mayori area would make it possible to accelerate considerably the elimination of over 80 small boiler houses in this area, which would ensure not only a substantial rise in the efficiency of the thermal power service for the city as a whole, but also would improve its air basin. At the same time, it should be mentioned that for the past five years in the Bulduri-Mayori area, out of 90 small boiler houses subject to elimination, only ten have ceased to exist.

Carrying out the proposals of the Jurmala gorispolkom and the heat network enterprise will make it possible to improve the technical-economic indicators of the work of the Kemer boiler house. Is the price not too high, however? Is this not a graphic example of a departmental approach to solving economic problems? Therefore, incorrect strategy inevitably leads to inefficient use of the state capital investments, the capacities of the construction organizations, of materials, especially pipelines, and, in the last analysis—to major national economic and ecological damage.

A similar situation arose concerning the proposal of the Sauriyesh Building Materials Combine on construction of the transit mainline of thermal networks of the Riga TETs-2 in the settlement of Sauriyesh (SOVETSKAYA LATVIYA recounted this in detail on 25 August), the realization of which was capable of inflicting national economic damage amounting to 355,000 rubles a year.

Examples of a departmental approach to the development of heat supply under the conditions of decentralized management of this process are the problems of determining the purchaser for the planning and construction of boiler houses and thermal networks, common to projects of various departments. Because of the complexities in locating the order for the planning, in the construction organization supplying the complete equipment and then—in their operation, the departments and enterprises are trying in every way to avoid the function of purchaser for these projects (with the exception of the heat networks, if they are next served, for example, by Latvglavenergo). Even the Latvijas siltums Association is making a mistake in this.

As a result, it is taking an unjustifiably long time to solve the problems of constructing new regional or interblock (group) boiler houses, for example in Kuldige, Jurmala (Lielupe-Mayori rayons) and Aluksne. As a result, so-called temporary local boiler houses with an indeterminate period of operation are being constructed. In reality, one can understand, for example, the Academy of Sciences and Ministry of Health of the republic and the REZ [Riga Electric Machine Building Plant] for not hurrying to put into practice the commissions of the Jurmala Gorispolkom for them to be purchasers in the planning and construction of interblock boiler houses in Lielupe and Dzintari—or of Limbzhskiy Rayon agricultural equipment. After all, they specialize in quite a different sector. Now the Limbzhskiy Rayispolkom has been determined as the purchaser for planning the renovation, for example, of the boiler house for the rayon agricultural equipment. Therefore, why not the Latvijas siltums Association, which has practically all the municipal heating boiler houses, in which critically short fuel is burned, under its jurisdiction?

In speaking of the fact that the decentralized system of management for the development of the thermal-power services of the cities and settlements does not correspond to today's needs, it can at the same time be noted: after the Latvijas siltums Association passed from the Ministry of Internal Affairs to GosTEK, real prerequisites were created for fundamental changes in the situation that had formed. This includes those of endowing this association with the functions of purchaser for the planning and construction of all the boiler houses and thermal networks common to the users of various departments, in the cities and urban settlements and in the future—also with the functions of owner of these facilities.



It would appear that, with a favorable solution to the problem of centralizing the management of the operation and development of heat supply facilities in urban settlements and entrusting the corresponding functions to the Latvian Association, there would be no need to construct those thermal networks from TETs-2 in the settlement of Sauriyesh, no temporary heating boiler houses would be built in the industrial zone along Ventspils Street in Kuldige, the construction of the interblock boiler houses in Lielupe-Mayori rayons would be accelerated, etc. Therefore, it is clear that the problem of improving the administration of the systems of centralized heat supply in the cities and urban settlements has practical economic and social significance, important in principle.

In speaking of the possibilities of an economic approach to determining the optimum directions for the development of heat supply to the population centers, one cannot help but note the need to overcome the popular stereotype of the supposedly unlimited effectiveness of centralized heat supply from large rayon boiler houses. Depending on the conditions of the location of the thermal energy consumers, the density of the heat consumption, the type of fuel consumed and the extent of the thermal networks, the economically justified limits of centralization of thermal supply from a boiler house can be changed within quite a wide range. Without the results of technical-economic calculations, it is impossible to mechanically convert the concept that has formed of the effectiveness of centralized heat supply, let us say, using as an example Riga, where the density of the heat supply is very high, and at other cities and population centers.

In contrast to command-administrative approaches, carrying out economic methods of activity will make it possible to eliminate the construction of facilities for centralized heat supply, the planned parameters of which, over many years, if not decades, cannot be developed. For example, the Kemer and Ventspilskiy boiler houses in Riga and the Ventspilsskiy Petroleum Refining Base, PMK-6 in Balvi. It will also be possible to get rid of the striving to have reserve capacities, when this is not necessary.

Since the rayon (city) boiler houses and thermal networks from them are constructed under conditions of restricted means, material resources and capacities of the construction organizations, a priority in their construction is to determine the expediency according to the indicator of the specific effectiveness of the capital investments. It, in turn, should be calculated as the ratio of the capital investments to the yearly national economic effect, obtained when carrying out the given measure. To avoid freezing the capital investments and, considering the inertia of the heat supply systems, it would appear best to adopt a ten-year period as an estimated time for determining this indicator.

In addition to the centralized state capital investments in the construction of rayon (city) boiler houses and main-line thermal networks from them, proportional funds should also be drawn in from interested industrial enterprises. Often, however, the periods for the construction of boiler houses and the main sections of thermal networks and of the industrial enterprises themselves do not coincide. In this case, through the state capital investments, expenditures are advanced to construct these thermal supply objects, with the planned capacity calculated to ensure thermal power to all the consumers in their heat-supply zone, including those which are specified to be constructed, we assume, in the next five-year plan. Undoubtedly, with economic methods of activity, these advanced expenditures should be subject to compensation. With the situation existing today, however, this compensation is practically impossible. This may be implemented if a republic target fund of centralized heat supply, consisting of state capital investments and proportional participation of interested organizations, is formed. It should be at the disposal of GosTEK and used according to its commission by the Latvian Association, with the active participation of the gor(ray) ispolkoms of the local Soviets, in consideration of the national economic effectiveness and priority of construction of specific boiler houses and thermal networks.

It is quite clear that, to ensure the efficient development of centralized heat supply for the cities and settlements, all the technical work in this matter should be concentrated at the Latvian Association. However, for more complete coordination of the national economic and departmental interests and increased reliability and economy of the heat supply, there must be turned over to this association, in addition to the municipal boiler houses, the boiler houses of the centralized heat supply and thermal networks from which the heat supply issues for the facilities of various departments in the cities and urban settlements (except those subject to being turned over to Latvianenergoproekt). Therefore, there must be precise definition of the parameters of these objects of centralized heat supply and the conditions under which they can be turned over to the balance sheet or, in individual cases, to the technical service of this association.

As a result, it appears that all the long-term projects for centralized heat supply and, at least most of those already existing in the cities and urban settlements will be under the jurisdiction of the Latvian Association. There is no doubt that this will also reflect favorably on the conditions of the fuel supply of the boiler houses—the sources of centralized heat supply—bearing in mind the fact that approximately two-thirds of the boiler-furnace fuel in the republic is used for heat supply needs. In addition, the functions of the coordinating organization on problems of rayon use of thermal power must also be entrusted to Latvian Association. The responsibility for reliable and economic functioning of the thermal-power services in the rural area is to be reserved for Gosagroprom and its subdivisions in the rayons.



P.S. I request that the honorarium for publication be transferred to the fund for those suffering in Armenia.

### **International Nuclear Safety Group Inspects Rovno AES**

18220065a Kiev PRAVDA UKRAINY in Russian  
14 Jan 89 p 4

[Interview by PRAVDA UKRAINY correspondent A. Bondarchuk, Kuznetsovsk and Rovno AES, with IAEA [International Atomic Energy Agency] OSART [operational safety review team] team leader Ferdinand Franzen under the rubric "Topical Interview": "Ferdinand Franzen—I Am Satisfied with the Rovno AES"]

[Text] *As has been reported in the press, the work of the OSART team of the IAEA has completed its mission at the Rovno AES [nuclear power plant]. It included representatives of Canada, West Germany, Finland, France, East Germany, Japan, Spain, the United States, Bulgaria, China, Czechoslovakia and six staff associates from the international agency. The experts and observers researched and verified the degree of safety of the AES and steps to raise its efficiency for almost three weeks.*

*Our correspondent met with the team leader, Mr. Ferdinand Franzen, and asked him to answer a series of questions.*

[Correspondent] Mr. Franzen, judging from your mood, you are satisfied with the results of the work?

[Franzen] Of course. I have a pretty good impression of the AES, and I've been here three times now. I know the collective well, and good working relations have taken shape among all our specialists and the personnel of the plant. Remember that our trip does not have inspectional functions—we met with our Soviet colleagues to study issues of raising safety and to exchange information. This is the first AES in your country where we have worked. We came at the invitation of the Soviet government and our visit, I stress, is not connected with any circumstances whatsoever. We are going to Gorkiy for the same purpose. We need closer cooperation in the name of peoples' safety.

[Correspondent] The Chernobyl tragedy has sharply altered public opinion on nuclear power. The issue is the degree of risk. What can you say about this after your work at the Rovno AES?

[Franzen] There is unfortunately a degree of risk in any form of human endeavor, even the safest. Risk is the negative side of the matter. Safety is the positive. It rests on three pillars: good planning, high quality of work and the safe operation of the equipment. We have studied the three "pillars" and, specifically, the third unit, the largest at the plant. There were some difficulties with the utilization of the unique turbogenerator and auxiliary

systems in the initial stages of its exploitation. All issues have been resolved. The safe operation of the Rovno AES is ensured by skilled management and highly qualified personnel.

[Correspondent] Were there any specific observations directed toward the AES?

[Franzen] Only suggestions. One was to expand the rights of the plant management to make independent decisions. The quality of some equipment requires constant attention. Efficient measures must be incorporated to ensure high quality at the stages of equipment planning, production, installation, operation and routine maintenance, while the manufacturers should bear responsibility for the reliability of that equipment.

As for the personnel-training program, it provides for a higher level of qualifications among the people than in other countries. The plant is operated with a high degree of professionalism. But the uninterrupted training accepted here is expensive, albeit effective. The training materials should be reviewed, more modern technical educational equipment is needed and full-scale simulators should be used. The program of maintenance and repair is not bad, but it would be useful, in our opinion, to standardize the approaches to it and create a unified organizational system for repairs. More energy and flexibility and a regard for changing circumstances should be displayed in developing documentation and standards.

[Correspondent] Does that mean changing the safety norms and standards that are being used today?

[Franzen] That is not yet an issue. Other harmful factors aside from radioactivity should be taken into account to which too little attention is being paid now. The view of nuclear power engineering overall needs to be changed. A TETs [heat and electric power plant], for example, affects the environment much more strongly than an AES, and it produces higher radioactivity. The dams of a GES [hydroelectric power plant] also have an unfavorable impact on the ecology.

As for norms and standards, yours are based on the international ones. But there are many more standards for monitoring than in other countries, the instructions and rules are much more detailed and contain many technical requirements. This makes their realization more difficult and undermines initiative. The standards and documentation should be simplified.

[Correspondent] How can it be understood? On the one hand, the issue is initiative, and on the other, the precise observance of instructions.

[Franzen] There is no contradiction there. Instructions must be executed precisely. But they should be qualitatively higher.

[Correspondent] The conclusions of the team include a desire to "have more modern equipment..."

[Franzen] This does not relate to the basic equipment—the reactors, turbogenerators and the like—but rather to measuring equipment and apparatus for chemical, radiation and other measurements and analysis. The chemical-protection service has attained good results, for example, but abroad they have long ago incorporated an automatic measuring regimen. Many samples are taken manually at the Rovno AES. Such contemporary equipment is essential for measuring irradiation, the decontamination of equipment and monitoring the state of the environment.

[Correspondent] Was the background radiations around the plant studied?

[Franzen] Yes, such research was conducted based on the documents of monitoring bodies not subordinate to the AES. The indicators were very low: the background is the natural radiation plus the effects of Chernobyl.

[Correspondent] What was the evaluation of the state of the AES in the event of an extreme situation?

[Franzen] The planning in case of accident has been performed at a high level. The accident-operations management center is located in basement accommodations in the administrative building and is in good shape, it has everything needed to manage all types of such situations.

[Correspondent] People here are forming a negative impression of the AES...

[Franzen] People truly are feeling fearful. But I emphasize once more that the AES has less of an effect on the environment than other sources of electric power. It is a clear matter, the safety equipment should be at the highest level. And much here comes from the uninformed nature of the people, poor information. Many do not know what radiation is or what its sources are. This gives rise to rumors. There are instructive examples in many countries. Take Japan. The managers and workers of an AES meet regularly with the inhabitants of the surrounding populated areas, invite them to the station and keep them informed about the work of the facility, background radiation and the state of the environment. When people are informed, they cannot be confused or get false interpretations.

[Correspondent] AES Director V.A. Korovkin announced for the press that starting in 1989 the plant will inform the population by radio and press about the radiation and other situations at the plant and the state of the environment, and will accept applications from labor collectives to visit the AES. In your opinion, have lessons been learned here from Chernobyl?

[Franzen] Undoubtedly. But this is a different type of reactor here.

[Correspondent] I want to return to the first "pillar" you were talking about—the planning. Criticism is being expressed of the location of the Rovno AES. It is karstic rock. Isn't that dangerous? Are there any analogues in world practice? What is the approach to locating an AES in general?

[Franzen] We have no geology specialist on our team. It was not our aim to study that issue. I would say that a suitable site for the construction of such facilities can be found in every country. I know there is an AES on such rock in Brazil. And a whole network of plants is in Japan, an earthquake-prone country. The water inventory must be taken into account as an important factor in selecting a site. The AESs of many countries are built on the seashore or on major rivers. Small rivers create difficulties with the water supply.

[Correspondent] Can't the growing needs for electric power be compensated for by natural sources of it to a certain extent? Then there would have to be fewer AESs.

[Franzen] The developing countries still have the power of rivers as a reserve. As for the wind, do you know how many wind-power plants have to be built to replace the three units of the Rovno AES? Five to six hundred! These should be high towers with a very large wingspan. I have seen one in Switzerland. It stood in the most windy spot. And even then it could only operate four thousand hours a year, and there are, as is well known, over eight thousand hours in a year. I remember from my youth that we had such a plant on our farm. Those are the individual cases in which they can be utilized.

[Correspondent] Mr. Franzen, the team members have done work in eight subject areas. They have collected extensive material. What is the fate of it? Will the team monitor how its recommendations are fulfilled?

[Franzen] The final document will be presented to the government of your country. It will decide the question of its publication.

**Worldwide Nuclear Association Described**  
*18220065b Kiev PRAVDA UKRAINY in Russian*  
*7 Feb 89 p 2*

[Article by RATAU [Ukrainian News Agency] correspondent A. Kuznetsov, Nikolayev: "A Worldwide Association of AESs is Created"]

[Text] Nikolayev, 4 Feb (RATAU)—A Worldwide Association of Nuclear Power Plants that is being created today will take on the coordination of theoretical and practical efforts to raise the reliability and operational safety of nuclear electric power plants via the exchange of scientific and technical information. The directors of

the country's nuclear power plants, assembled in the southern Ukraine, discussed the draft charter and other organizational issues of the new non-governmental organization.

It unites, it is reputed, representatives of 112 states. The proposal to create four regions of the association with centers in Atlanta (United States), Paris, Tokyo and Moscow was expressed at a preliminary session held last year in Paris. A permanently operating multilateral computer link will unite each AES [nuclear power plant] that is a member of the association with other countries, providing for dialogue among their specialists and the exchange of information and operating practices of nuclear installations.

## CONSERVATION EFFORTS

### Armenian Party, Government Exhort Energy Conservation

18220052 Yerevan *KOMMUNIST* in Russian  
14 Feb 89 p 1

[Text of address by central committee of Armenian Communist Party, Presidium of Armenian SSR Supreme Soviet, and Armenian SSR Soviet of Ministers: "To All Workers And Residents Of The Republic"]

[Text] Esteemed Comrades!

In light of the wishes of the people, the CPSU central committee and the USSR Soviet of Ministers have made the exceptionally important decision to shut down the units of the Armenian Atomic Power Plant. The workers and people of the republic have expressed both gratitude for and approval of this decision, and regard it as another example of party and government concern for the Armenian people.

We are pleased to note that this important project, which emanated from the September (1988) plenum of the Armenian Communist Party central committee, will be completed ahead of schedule.

At the same time, there will be significant difficulties in providing the republic with a steady supply of electricity. If homes and industry do not take immediate steps to conserve energy, and if power-producing capacities are not increased, the shut down of the Armenian AES ahead of schedule could cause major power supply problems for industrial and domestic users in the republic and throughout the Transcaucasian area, especially in fall and winter. Another factor making the job of providing energy difficult is the effort to rebuild cities and villages destroyed by the earthquake, since this effort will require large supplemental energy inputs.

In light of the situation, the Armenian Communist Party central committee and the Armenian SSR Soviet of Ministers are taking steps to balance the production and consumption of electricity. The AES is being converted into a thermal power station; the effort to add four additional power units at the Razdanskiy GRES is being stepped up; usage levels at existing power stations are being upped; and energy-producing capacities are being retooled and realigned.

Time will certainly be needed to fully implement these shortage-cutting measures. Currently, the main—and for all intents and purposes only—way to stabilize domestic and industrial energy supplies is to conserve energy across the board.

It is no exaggeration to say the implementation of the integrated electrical energy conservation program is a nationwide job. To a great degree, it will only be possible to complete this job if every citizen shows the requisite degree of responsibility, civic pride, and patriotism. Party, government, labor union, komsomol, and economic organizations must put their considerable resources to work spreading the message that electrical energy usage in industry must be kept at the minimum possible level, and that domestic energy users must adopt a conservation-minded attitude in the home. Print media need to be used aggressively, while the public should be more involved in implementing a program of energy conservation. In short, because this issue affects the fundamental welfare of the republic and is the key to its progress, apathy is unacceptable.

By February 12, every ministry, department, enterprise, shop, and production area must design and begin the implementation of a clearly articulated, effective, long-term program of energy conservation. Such a program will include a serious effort to identify and correct any wasteful attitude toward the use of energy.

Conservation should begin with every family keeping strict tabs on the amount of energy it uses. The same applies to residents of apartment buildings and individuals using recreational facilities. Everyone needs to be profoundly aware that leaving on a single unnecessary heater or light bulb is an unacceptable waste of energy. Everyone—every resident of the republic—needs to become involved in the campaign to conserve energy.

The Armenian Communist Party central committee, the Armenian SSR Presidium of the Supreme Soviet, and the Armenian SSR Soviet of Ministers appeal to all workers and residents of the republic to: display superior civic maturity; comprehend and be fully aware of the measures to conserve and efficiently use energy; and, in the wake of the AES shut-down, to participate actively in implementing these measures.

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